Saskatchewan
Local Government
Finance
Commission

# Property Assessment in Saskatchewan

## Interim Report of the Local Government Finance Commission

September, 1985

Saskatchewan

Saskatchewan
Local Government
Finance
Commission

3211 Albert Street
Regina, Canada
S4S 5W6

September, 1985

The Honourable Bob Andrew, Chairman
Cabinet Committee on Local Government Finance
Room 312, Legislative Building
Regina, Saskatchewan
S4S 0B3

Dear Sir:

We have the honour to submit the report of the Local Government Finance Commission on property assessments in Saskatchewan.

Consensus was reached among Commission members on many conclusions and recommendations contained in this report. There is a division of opinion among Commissioners in regard to recommendations on governance arrangements for the assessment function.

Commissioner Brady believes that assessment is a municipal function and that local government representation on the governing body should be from rural and urban municipalities. Commissioner Thiessen concurs with Commission Brady's view that assessment is a municipal function, but also favours separate rural and urban assessment governance structures described later in this report. Commissioner Volk believes that because school divisions are the largest users of the property tax, they have a major interest in the assessment system and that school divisions, rural municipalities and urban municipalities should each have equal representation on the governing body. Commissioners O'Shaughnessy, Langlois, Wright, Linner and Clayton advanced the recommended representation on the proposed governing body as a compromise.

Respectfully submitted.,

Ray Clayton
Chairman

John Wright
Commissioner

Lol O'Shaughnessy
Commissioner

Herve Langlois
Commissioner

Nick Volk
Commissioner

Bob Linner
Commissioner

Ike Thiessen
Commissioner

Ted Brady
Commissioner

# TABLE OF CONTENTS


Page

Letter of Transmittal

Preface ..... i

Chapter I, Introduction ..... 1

Chapter II, Background ..... 2

I. Description of the Assessment System ..... 2
A. Objective ..... 2
B. Modified Market Value Approach ..... 2
C. Rural Agricultural Land Assessment ..... 2
D. Irrigated Farmland ..... 3
E. Intensive Agricultural Operations ..... 3
F. Urban Land Assessment ..... 3
G. Improvements ..... 4
H. Relationship Between Rural and Urban Assessments ..... 4
I. Business Assessment ..... 5
2. Responsibilities for Assessment ..... 5
3. Taxable and Exempt Assessment ..... 6
4. Assessment Manuals and Reassessment Process ..... 7
5. Organization at the Provincial Level ..... 8
6. Equalized Assessment ..... 9

Chapter III, Criteria and Evaluation of Property Assessment System ..... 11

I. Criteria ..... 11
2. Evaluation of the Current System ..... 12

Chapter IV, Governance of the Assessment Function ..... 16

I. Types of Decisions ..... 16
2. Problems with Current Arrangements ..... 16
3. A New Governance Structure ..... 18

## TABLE OF CONTENTS (continued)


Page

4. Alternative Structures ..... 24
5. Assessment Appeal Processes and Structures ..... 28
   A. Local Appeal Process ..... 28
   B. Provincial Appeal Process ..... 29
6. Timing ..... 30
7. Merits of Recommended Structure ..... 30

Chapter V, Procedures and Processes ..... 32

1 Responsibility for Policy Decisions ..... 32
2. Consultations with Local Governments ..... 32
3. Adequacy of Research ..... 32
4. Timeliness of Reassessment ..... 32
5. Thoroughness of Inspections ..... 33
6. Next Round of General Reassessments ..... 33
7. Assessment Information ..... 34
8. Resource Requirements ..... 34

Chapter VI, Valuation of Property:Principles and Practices ..... 36

1. Agricultural Land ..... 36
2. Rural Improvements ..... 38
3. Urban Land ..... 39
4. Urban Improvements ..... 40
5. Resort Property ..... 40
6. Business Assessment ..... 41
7. Equalization ..... 41
8. Conclusion ..... 42

Chapter VII, Summary of Conclusions and Recommendations ..... 43

## TABLE OF CONTENTS (continued)


Page

**Appendices**

1. Soil Zones ..... 47

2. Rural Land Assessment and Market Values ..... 48

3. Schedule of Urban Land Values ..... 49

4. Urban Land Index ..... 50

5. Land Indexing System for Resort Properties ..... 52

6. Rural Improvements Study ..... 53

7. Number of Municipalities Reassessed by Year ..... 54

8. 1982 Equalized Assessment ..... 55

## PREFACE

The Local Government Finance Commission was established by the Government of Saskatchewan under *The Public Inquiries Act* by Order-in-Council #635/84, dated May 23, 1984. The Commission was given a two-year mandate to inquire into a broad range of issues relating to the financing of local governments and to identify options for addressing those issues. Under the terms of reference, the Commission has been asked to examine the following issues:

- capital requirements and funding mechanisms;
- provincial-municipal revenue sharing;
- financing elementary and secondary education;
- property tax structure;
- role of property tax rebate programs;
- alternative revenue sources;
- local funding of hospitals;
- local funding of libraries;
- assessment principles and processes;
- property tax collection processes;
- tax abatements;
- commercial-industrial property tax sharing; and
- possible shifting of program responsibilities.

The Commission consists of eight members:

- Ray Clayton, Chairman, former Deputy Minister of Urban Affairs and Deputy Minister of Education;
- John Wright, Vice-chairman, Director, Social Programs,Treasury Board Division, Department of Finance (replaced Don Rowlatt as of June 12, 1985);
- Ted Brady, Past-president of the Saskatchewan Urban Municipalities Association and Past-president of the Federation of Canadian Municipalities, representing S.U.M.A.;
- Ike Thiessen, Vice-president of the Saskatchewan Association of Rural Municipalities, representing S.A.R.M.;
- Nick Volk, Past-president of the Saskatchewan School Trustees Association, representing, S.S.T.A.;
- Lol O'Shaughnessy, business person, member-at-large;
- Herve Langlois, Deputy Director of Education, Saskatoon Public School Division, member-at-large; and
- Bob Linner, Prince Albert City Commissioner, member-at- large.

The Commission is appreciative of the excellent contribution to its deliberations by Don Rowlatt who served as member and Vice-chairman of the Commission from May, 1984 to June, 1985.

The Commission reports to a Cabinet Committee comprised of the Honourable Bob Andrew, Minister of Finance (Chairman); the Honourable Tim Embury, Minister of Urban Affairs; the Honourable Louis Domotor, Minister of Rural Development; and the Honourable Patricia Smith, Minister of Education. The Commission meets occasionally with the Cabinet Committee to inform the Committee of its work to date and future plans.At the first meeting, the Commission was encouraged to report on its findings in a series of interim reports rather than to wait until the end of the two-year mandate to issue one large, final report.

The Commission began its work in June, 1984. During the Fall of 1984, it held a major conference entitled "Options for the Future" in the Legislative Assembly Chambers in Regina. Five major local government organizations, the Saskatchewan Urban Municipalities Association (S.U.M.A.), the Saskatchewan School Trustees Association (S.S.T.A.), the Saskatchewan Association of Rural Municipalities (S.A.R.M.), the Saskatchewan Health-care Association (S.H.A.), and the Saskatchewan Library Trustees Association (S.L.T.A.), were invited to participate in the conference. As well, a number of other interested organizations and provincial government departments and agencies were invited to attend as observers.

Following the conference, the Commission held regional meetings in 11 communities in order to give local groups and individuals an opportunity to express their concerns and ideas. A total of 126 briefs were presented at the regional meetings and an additional 33 briefs and 13 letters were sent directly to the Commission.

Most of the Commission's work over the first six months was devoted to consultations with local government organizations and the public in an effort to identify and understand the issues and concerns about local government finance.

In January, 1985, the Commission released its first interim report. The report outlined the concerns that were expressed during its consultative processes and described what the Commission considered to be the major local government financing issues. The report also outlined the Commission's framework for future directions and recommendations on some specific matters.

This interim report deals with property assessment in Saskatchewan.

Subsequent to the issuing of the January report, several members of the Commission attended the S.U.M.A. convention in January, S.S.T.A. seminars in Saskatoon and Regina in February, and the S.A.R.M. convention in March. During these meetings, the Commission outlined its first interim report and its current activities.

Meetings were held with the Saskatchewan Assessment Authority and the Departments of Rural Development, Education, and Urban Affairs on May 15 and with elected and administrative local government personnel on May 16 to discuss assessment governance and valuation.

Meetings were also held with representatives of S.A.R.M., S.S.T.A., and S.U.M.A., in June to discuss property assessments, alternative revenue sources and utilization of the property tax base. Prior to these meetings, the Commission distributed discussion papers to the representatives of S.U.M.A., S.A.R.M. and S.S.T.A. who were to attend the meetings, in order to provide background information and promote familiarization with and discussion of concepts being reviewed by the Commission.

In addition to the above-noted consultations, the Commission met for 15 other days to discuss information that had been assembled and to consider options for addressing the issues under review.

The Commissioners have felt strongly from the beginning that it is incumbent upon the Commission to obtain the most current and complete information available and to undertake a thorough review and analysis of all options. The opinions and proposals of all contributors have been treated with the utmost respect and have been given full and fair consideration by the Commission.

The Commissioners believe that to meet the responsibilities and obligations placed upon them as members of a public inquiry it is necessary to conduct their business in an open, participatory manner and to share widely their findings and conclusions.

# CHAPTER I
## INTRODUCTION

This report includes recommendations which are intended to lead to a major reform of the assessment system in Saskatchewan. The Commission has focussed on three main elements of the assessment system: management or governance of the assessment function, assessment principles and the reassessment process. A number of specific assessment issues are intended to be referred to the new governing body for assessments recommended in this report, rather than being dealt with by the Commission.

Property assessment forms the base for one of the largest tax sources in the Province - the property tax. It is estimated that in 1985 approximately $625 million will be collected as property taxes and grants in-lieu-of taxes by local governments in Saskatchewan. Only the personal income tax and oil revenues, which are projected to raise $626 million* and $655 million respectively for the provincial government in 1985, are comparable. The magnitude of the property tax makes the issues associated with it very important.

Although property assessment is the only major revenue base for local governments, they do not play an active part in the management of the system, and few have a substantial role in its ongoing operation. The Saskatchewan Assessment Authority, an agency of the provincial government, develops the assessment manuals which are used by appraisers in determining the value of property and businesses. The staff of the Authority also carry out the appraisals in all but the four largest urban centres.

There has been an unfortunate loss of confidence in the assessment system. Many people are concerned that the assessment system is bringing about unfair distributions of the local tax load. Some believe that inequities are an inherent feature of the property tax, while others believe that the main problems are improperly-derived assessments. Some are concerned with the governance of the assessment function and how major policy decisions on assessment are determined. Others are concerned about the level of expertise and diligence with which the assessment of individual properties are undertaken. Others question the validity of the manuals used by the appraisers.

Not all criticisms and concerns are justified. Many of the assessment practices in Saskatchewan are based on sound principles. Nevertheless, the Commission's review has confirmed that there are a number of serious problems with the assessment function and that some major corrective action is required.The Commission believes that this corrective action must be taken before the commencement of the next round of general reassessments throughout the Province.

Chapter II of this interim report provides background information on the property assessment system in Saskatchewan. It describes how residential, commercial, resort and agricultural land, improvements, and businesses are valued. It also outlines which properties are assessable and how exempt properties and other properties located in regional and provincial parks are treated. The history of the assessment system, including the current reassessment process and the organization of the assessment function, is described.

Chapter III describes various criteria for evaluating an assessment system and then measures the current system against these criteria.

Chapter IV outlines alternative structures for governing the assessment function. The advantages and disadvantages of each option are outlined and evaluated.

Chapter V outlines what the Commission considers to be the key components of sound and effective assessment and reassessment processes.

Chapter VI provides commentary on certain principles and practices of property valuation.

Chapter VII is a summary of the Commission's conclusions and recommendations.

The Commission would like to express its gratitude to the management and staff of the Saskatchewan Assessment Authority for their co-operation and assistance during this phase of the Commission's work. They have provided information that was requested and have reviewed factual material contained in various study reports and documents prepared by the Commission.

The Commission is of the view that the Saskatchewan Assessment Authority is staffed with capable people. The major problems with the assessment system in Saskatchewan arise from an ill-defined decision-making structure for policy decisions and from a long-term inadequacy in the resources allocated to the assessment function.

* This is the share of the income tax collected in Saskatchewan which accrues to the provincial government. The federal government receives approximately an additional two dollars for every one dollar of income tax accruing to the provincial government.

# CHAPTER II
## BACKGROUND

The purpose of this chapter is to describe the current operation of the Saskatchewan assessment system so as to provide a conceptual framework within which to consider issues and problems.

It may be helpful to define certain terminology relating to assessment practice:

- "Appraisal" is a process of placing a value on property. "Appraisal" and "valuation" are used interchangeably.
- "Assessment" refers to the value that is actually placed on the assessment roll and which determines the property tax payable when multiplied by the mill rate. Assessed value may differ from the appraised value. For example, legislation states that improvements must be assessed at no more than 60% of value whereas land is to be assessed at "fair value" or "full value."
- "Land" means the physical land.
- "Improvements" are buildings and other structures placed on, over or under land and anything permanently attached to those buildings.

## 1. DESCRIPTION OF THE ASSESSMENT SYSTEM

### A. Objective

The essential objective behind the Saskatchewan system of appraisals is to come as close as possible to the market value of properties as of a particular point in time. For example, improvements and agricultural land under the current manuals are based on the average of the 1961 to 1970 values, commonly referred to as 1965 values. The system is not designed to determine current market values. Most values are updated only when a new manual is produced and a general reassessment commences. The base year for values is usually several years in the past.

Business assessments are quite different from the assessment of land and improvements and will be discussed under a separate heading at the end of this section.

### B. A Modified Market Value Approach

The Saskatchewan system could be described as a "modified" market value approach for the following reasons:

1) As noted above, the values are based on the market as of a given point of time in the past, rather than being based on current market values.

2) Some of the factors that determine the market value of property are deliberately ignored in arriving at the appraisal for assessment purposes. For example:
   - Farmland near a city may have a high market value because of its potential use for urban residential purposes, but it is appraised only for its use as farmland.
   - A lot used for residential purposes in a transitional area of a city may have a high market value because of its potential use for commercial purposes, but it is valued only on its use as a residential lot.

3) Market information is not used for some categories of property, and tables are used to impute value. For example:
   - For smaller urban communities without an active market from which to determine values, land values are assigned on a sliding scale based on the population of the community and the amenities in the community, rather than attempting to gauge the market.

4) For some types of property, there is an effort to arrive at market values in an indirect fashion. For example:
   - For agricultural land, it is assumed that the physical productivity of different parcels of land determines their ability to generate income and that this, in turn, is the main determinant of market value. Each parcel is appraised and given a certain number of index points based on its productivity. The value for one index point is determined by average market transactions for the Province as a whole. Thus, market values are determined in an indirect way.
   - Improvements are valued on the basis of replacement cost adjusted for depreciation and obsolescence.

### C. Rural Agricultural Land Assessment

The main assumption underlying the assessment of cultivated agricultural land is that ability to grow wheat is the main determinant of that land's ability to generate net income, and that ability to generate net income is the main determinant of market value.

In developing an assessment system for agricultural land, it was assumed that rural land has value because it is able to produce agricultural commodities and that parcels of land can be valued in relation to one another in accordance with their respective abilities to grow crops, specifically wheat.

A set of factors reflecting the ability of different soil types to grow wheat was developed, using information on average yields for the 1942 to 1961 period and soil classifications. The soil classification system is based on the long-term effects of climate on the organic content or colour of the soil, the texture of the soil or its ability to retain moisture, and the soil profile or the structure and thickness, etc. of the soil. Consideration is also given to physical factors which are generally local in nature and which detract from the productivity of the soil. Another set of factors influencing the cost of production (stones, hills, etc.) and economic factors (varying prices for fuel, and distance to elevators) was also developed in an attempt to reflect the net productivity of the land.

Rural assessment is a point system under which the best land gets the highest number of points and the worst land gets the lowest number of points. A value is assigned to a point. The average productivity rating assigned to soils was 55 and, therefore, the average number of points assigned to farmland was 55. Since the average selling price of farmland, excluding the value of improvements on the land, from 1961 to 1970 was about $55 per acre, each point was given a value of $55/55 $1. The fact that the value per point worked out to an even $1 was coincidental and a different value per point would not affect how the system works.

Factors **not** taken into account in arriving at the value of cultivated agricultural land include:

- the ability of the land to produce crops other than wheat;
- varying levels of input costs incurred in different soil types, (amounts of fertilizers required, frequency of grain drying, amounts of pesticides and herbicides required, the number of farming operations required and the impact this has on the amount of machinery required and the amount of fuel consumed); and
- ability of land to be used under continuous cropping techniques.

Appendix 2 graphically depicts the factors affecting assessments and market values for cultivated agricultural land.

Pasture land has a separate classification based on its ability to produce forage.

### D. Irrigated Farmland

The basic system of valuing irrigated farmland had been the same as for dry land farming, except that the climatic factor was replaced with a geological deposition factor. Rainfall was not considered to be a limiting factor in the production of irrigated crops because it was assumed that water was readily available when required.

However, while this approach reflected the relative abilities of irrigated farmland to generate physical production, it did not establish the relative abilities either among irrigated farmland or in comparison with dry land to generate net income because the varying costs of readying the land for irrigation, the availability of water and the height and distance of pumping the water were not considered. Assessing irrigated farmland differently than dry land was, in effect, assessing a particular type of input, water. It was decided in 1984 to revert all irrigated farmland to dry land values.

### E. Intensive Agricultural Operations

Cattle feed lots, piggeries, turkey farms, and broiler and egg production are considered to be agricultural operations and, regardless of their size, the improvements involved in these operations are exempt from taxation. However, at a certain size these operations are considered to be a business and are assigned a business assessment which varies according to the number of animals involved. These intensive agricultural operations are also assigned minimum site sizes based again on the number of animals involved and these site sizes are assessed as commercial land. The balance of the land involved in these activities is assessed as agricultural.

The thresholds at which business assessment and commercial land assessment commences are as follows:

| | |
|---|---|
| Broiler and Egg Production | 12,000 animals |
| Turkey Production | 12,000 animals |
| Feed Lots | 800 animals |
| Piggeries | 1,000 animals or 143 sows |

### F. Urban Land Assessment

Non-agricultural urban land is divided into three categories:

- residential;
- commercial; and
- industrial.

For the 1976 manual, the value of the **best** land in Saskatoon and Regina was determined on the basis of 80% of the 1972-73 market values for each of these three categories. Eighty percent of the 1972-73 market was deemed by the Assessment Authority to be equivalent to full or fair value for the 1961-1970 base period.

The value of the best residential and commercial land is assigned to all other urban municipalities on the basis of a sliding scale tied to the population of the community. Values obtained from this sliding scale schedule are reduced by varying amounts up to 50%, depending on the level of amenities in the community such as water and sewer service, presence of a university, or secondary educational facilities, consumer outlets, professional services, etc.

The urban land index for a dormitory or bedroom community can be adjusted to reflect its proximity to the amenities offered by a larger urban centre. For example, the residential land index for White City was adjusted to reflect its proximity to Regina and such services as the university, secondary and elementary schools, consumer outlets, and professional services. This adjustment means that comparably-sized communities can have different maximum land values, depending on their proximity to large centres. The community near a large city will have virtually no deductions for the lack of services, while the other centre located some distance away would be judged on the basis of its own services and amenities. This potential adjustment applies only to residential land and does not apply to commercial land which does not benefit in the same way from the proximity to a large urban centre.

Once the value of the best land is determined for each community, each parcel of land within the community is valued in relation to that best land. In smaller communities, the parcels may all be in the same value category. However, in larger centres, other land within the community is valued in relation to that best land using a number of factors such as services available (sewer, sidewalks); proximity to playgrounds, churches, schools, parks; traffic or other nuisances; access to transportation services, etc.. Land values within a community can also be adjusted for the lack of certain services such as sidewalks and sewer and water systems which may be available elsewhere in the same community. In the larger communities with an active market, sales information is used extensively in arriving at relative values within the community. The assistance of local groups including representatives from the municipal council is encouraged in arriving at the land grading within a community.

Commercial land is also graded within a community. As with residential land, the maximum value is assigned to the best commercial property and all other properties are related to this best commercial site based on property sales information, location, volume of retail sales, zoning, and transportation. Again, in smaller communities all commercial land may fall within a single value category.

In rural areas, intensive industrial land and non-intensive industrial land are each appraised at a uniform rate, regardless of the municipality in which it is located. However, industrial land located within an urban centre is generally valued at the minimum commercial land value rates provided for that urban municipality.

Resort land is valued differently from land located in a "regular" urban community. The maximum land value for resort properties, under the current manual, is $40 per front foot. This is considerably higher than the valuation placed on land in urban centres with a similar population, because of a different set of factors determining the market value of resort properties. The $40 maximum is scaled down in appraising property in each resort area, depending on the amenities of the resort such as beach quality, boating facilities, scenic appeal, distance from the city, etc..Again, the maximum front foot value is assigned to the best land within the resort and other land is assigned values in relation to this best land based on the lot's location (beach front versus back lot) and scenic view.

Commercial land in resort areas is normally appraised at two or three times residential land values. However, there are few commercial properties located in resort areas.

### G. Improvements

Improvements consist of buildings and structures placed on, over, or under land and anything permanently attached to those buildings. The urban, northern, and rural legislation requires that all improvements be assessed apart from the land upon which they are situated, and that their assessed value should be fair and proportionate to the value at which other improvements are assessed.

Improvements are valued at depreciated replacement cost based on average costs for building materials in the 1961 to 1970 period, and adjusted for physical depreciation and functional obsolescence. This is often referred to as a 1965 level of values. All valuations of buildings are done on the same basis, using the same costs regardless of where in the Province they are situated. Once the value of improvements has been determined, they are assessed at 50% of their value.

The urban manual sets out detailed instructions or guidelines for appraisers on how to arrive at appraised value, including which items are assessable and which are not.

### H. Relationship Between Rural and Urban Assessments

Urban and rural assessments are similar in the following main ways:

- Where improvements are assessed, they are assessed in identical ways in rural and urban municipalities.
- In regard to both urban and rural land, the objective is to arrive at a modified market value. The difference is not in the objective, but in the means that are used in arriving at the values for individual properties.
- Business assessments are arrived at in the same way in both urban and rural municipalities.

The main differences between rural and urban assessment are:

- Rural land is assessed at 60% of appraised value, while urban land is assessed at full value.
- Most rural improvements are exempt from taxation and most are not assessed.
- Neither the residence nor the farm buildings of a full-time farmer who resides on the farm is taxable.

### I. Business Assessment

Business assessments are a means of levying an occupancy tax against the owner of a business, whether or not the business owner also owns the building which is occupied. Business assessments are additional to the assessment of the building and land, and are not secured by lien. The business tax has evolved from earlier practices of assessing businesses on their stock in trade as one means of raising revenue for local government purposes.

For all communities except Saskatoon, the Occupied Floor Space method is used to assess businesses:

- Average rates of return are determined for different kinds of business enterprises and these are converted to square footage rates.
- The schedule of business assessment rates is adjusted according to the amenities in the community.
- The total business assessment for an enterprise is the number of square feet occupied by the business, multiplied by the square footage rate for that type of enterprise.
- Within a community, the rate for a given type of business is the same regardless of the location of the business within the community.

Regina also uses the Occupied Floor Space method, but develops its own set of rates which are subsequently authorized by the Assessment Authority and gazetted.

Saskatoon uses the Rental Value Method of business assessments:

- Under this method, business assessments are arrived at by taking a percentage of the gross rent for business properties in the various locations in the community.
- The business assessment for a given type of business may vary within the city, depending upon location and other factors.

## 2. RESPONSIBILITIES FOR ASSESSMENT

Centres of more than 25,000 population are currently responsible for appraising the properties and businesses located within those cities. They each maintain their own assessment staff, although Regina and Saskatoon have much larger staff complements, 20 and 36 person years respectively, than does Prince Albert and Moose Jaw with 2.5 and 1.5 person years, respectively. These civic assessment staff perform the same function as the provincial Assessment Authority staff does elsewhere in appraising property and businesses and in carrying out reassessments. In the case of a reassessment, the civic staff are required to revalue property and businesses under the direction and supervision of the Assessment Authority at least once every 10 years or at any other time that the Authority may order.

Prior to the current round of reassessment, the four largest cities were not obliged to use the same valuation procedures or the same manual or to take the same proportion of appraised value to arrive at assessed value as those centres appraised by the provincial assessment staff. As a result, some of the cities used different base year values (1946 and 1950 versus 1947 values), different tables and procedures to value properties, and different proportions of fair value for assessment purposes. However, the four largest cities did co-operate in using the new assessment manual during the current reassessment program and are now using a common base year value, the same proportion of appraised value for assessment purposes and the same procedures for valuing property. After consulting with urban municipalities, the provincial government passed *The Urban Municipality Act, 1984* which made the use of the urban manual mandatory, rather than permissive, as it had been under the former legislation.

The four largest centres are responsible for the cost of appraising properties and businesses within their boundaries, including any general reassessments. On the other hand, all properties and businesses in northern, rural and all other urban municipalities are appraised by the provincial assessment staff at no charge to the municipality. In 1984, the City of Regina budgeted $824,000 for its assessment department, Saskatoon $1,235,000, Prince Albert $99,500, and Moose Jaw $60,000.

At the local level, a municipal employee is, under the terms of provincial legislation, the assessor for the municipality. The duties of the local assessor are to prepare an annual assessment roll, send out assessment notices when required, and submit a return to the appropriate Minister showing all additions to or deletions from the roll for confirmation of the assessment roll.

The local assessor outside of the four largest cities is also responsible for identifying and notifying the Assessment Authority of all changes which would affect the assessed value of individual properties, i.e. new structures, demolitions, additional agricultural land, etc.. The Assessment Authority's staff would then appraise these properties and provide the new assessed values to the local assessor. The local assessor in Regina, Saskatoon, Moose Jaw, and Prince Albert is responsible for identifying and appraising any properties which have been affected by factors determining the assessed value. The process of revaluing certain properties or appraising new properties at times other than when a general reassessment is being carried out is referred to as "maintenance" of the assessment roll. "Maintenance" is an important element in keeping assessments up-to-date and in ensuring that the local assessments remain fair and equitable in relation to one another. For example, if a change in the value of an individual property were not reflected in the assessment roll, all of the other property owners in the municipality would pay more or less than their fair share of property taxes. Those properties for which the assessment are not brought up-to-date as a result of "maintenance" are revalued during a general reassessment when all individual properties are inspected.

**Appeal Process**

The current appeal process involves two levels: the local Court or Board of Revision, and the provincial Assessment Appeal Board. Current legislation allows any person to appeal his or another person's assessment to the local Court or Board of Revision. The Court of Revision for northern assessments consists of three or more members of the local council. The Court of Revision for rural assessments consists of between three and five members of the local rural municipal council.In urban municipalities, the Board of Revision is appointed by the urban council and consists of three to seven persons who need not be members of council. Appeals of decisions of the Court or Board of Revision can be made by either a taxpayer or an assessor to the Saskatchewan Assessment Appeal Board. The provincial appeal board currently consists of eight members appointed by the provincial government and its decisions are final, except for questions of law which can be appealed to the Court of Appeal.

## 3.TAXABLE AND EXEMPT ASSESSMENT

There are three main categories of assessment:

- land;
- improvements (buildings); and
- business.

By statute, all land and improvements located within urban, rural and northern municipalities are to be appraised, regardless of who owns the property and whether or not the property is exempt from taxation. Because the provincial staff have been hard pressed to appraise all of the taxable properties, a large amount of exempt property has not been appraised or, if it has been appraised, the assessed value is suspect because the amount of time and effort that went into the appraisal was generally less than for taxable properties. Since local governments cannot derive any property tax revenue from exempt property, there has been little interest in allocating already scarce resources to appraising exempt properties.

All businesses are also appraised, but the definition of what constitutes a business excludes some businesses such as the raising of livestock, beekeeping, farming, and greenhouses.

Oil and gas wells, railway roadways, pipelines, mines, and the plant and equipment of mines and oil and gas wells are also appraised according to a schedule of values in the assessment manual.

The list of tax exempt property includes Crown-owned property (both federal and provincial), property held by or in trust for a band of Indians, places of public worship, schools, cemeteries, hospitals, libraries, municipally-owned property, R.M. property used for municipal purposes, streets, public squares and parks, war memorials, agricultural societies, Y.M.C.A., Y.W.C.A., law schools, Legions and Veterans associations, the Canadian Mental Health Association, any property or business exempted by the council, and most rural improvements.

**Rural Improvements**

There are a number of rules governing the assessment and taxation of properties in a rural municipality and there are numerous types of exemptions or partial exemptions.

All buildings, including residences, on land where farming is the occupant's chief source of income are exempt from taxation. Regardless of the owner's chief source of income, all non-residential improvements used solely for farming purposes are also exempt from taxation. This exemption applies to improvements used in intensive livestock operations, regardless of their size, and to greenhouses. All vacant farmsteads are also exempt.

Residences occupied by persons whose chief source of income is other than farming, and buildings not used solely for farming where the owner's chief source of income is other than farming, are taxable. However, where buildings are taxable, the assessed value of land owned by that same owner and which is used for farming purposes, is deducted from the assessment of the buildings to arrive at a net taxable assessment. In many cases, this deduction is sufficient to reduce the taxable assessment to zero.

The Commission is currently undertaking a study on the appraised value of rural improvements. A brief description of the study is included in this interim report as Appendix 6.

### Property in Regional and Provincial Parks

Regional and provincial parks are not part of a municipality and, hence, the property in those parks is not subject to property taxation. However, in 1980, the policy for establishing lease rental fees in provincial parks was changed so as to tie the fees to the value of the leased land and the costs of providing services.

Properties in provincial parks were valued in accordance with the new urban assessment manual for resort properties, with parks indexed for their natural features, services, beach access, etc., in order to set front foot rates. These rates for the best lot were then adjusted for each lease according to lot size, proximity to water and other factors. These assessed values were used to calculate the following fees:

- land rental - 20% of assessed value, and
- service and recreation tax - 16.75 to 20 mills times 100% of the assessed value of the land and 50% of the assessed value of the buildings, to a maximum of $100 to $120.

Commercial property in provincial parks is charged a fee based on a percentage of gross revenue ranging from 1% to 10%, depending upon the type of business.

Land in a regional park is owned either by the regional park or by the Crown which leases it to the Regional Park Board. The Board, in turn, leases land to individuals for residential or commercial purposes. The Board is an autonomous body and has the authority to set its own lease rental fee which is generally a flat rate charge unlike the lease rental fees in a provincial park.

## 4. ASSESSMENT MANUALS AND REASSESSMENT PROCESS

The assessment manuals used by appraisers to value properties and businesses are developed and prepared by the provincial Assessment Authority. The urban manual is approved by the Minister of Urban Affairs and the rural manual is approved by the Minister of Rural Development. The individual municipalities and the municipal organizations do not play any part in the development, preparation or approval of the manuals. As noted earlier, the four largest cities are now required to use the same approved urban manual as is used for other urban centres.

The current manuals were developed in the early 1970s and were first used in 1976. They replaced an urban manual first used in 1961 and a rural manual first used in 1939 (known as the Freeman manual).

The current manual (1976) used average values for the 1961 to 1970 time period, commonly referred to as 1965 values, for valuing urban improvements and rural agricultural land. For agricultural land, the indices for ability of different soil types to grow wheat were based on average wheat yields for the 1942 to 1961 period. Urban land values are based on 80% of 1972-73 land values, which were deemed to represent full value for this period.

In the earlier urban manual (1961) improvements were based on the average of 1936 to 1955 time period, commonly referred to as the 1947 values. The earlier rural manual (1939) was based on 1935 and 1937 soil and land surveys, and wheat yields over a 20 year period from 1917 to 1936, inclusive.

### Reassessments

By law, reassessments are required at least once every 10 years or at any other time that the Assessment Authority may order.There have been many instances where the time period between reassessments has been extended beyond the 10 year period.

The current reassessment program began in 1976, and is scheduled to be completed by December 31, 1985.

The main reason why reassessments are required is to maintain a fair distribution of taxes among properties and businesses, since property values change over time at different rates for different properties. Updated appraised values also mean that property owners can more easily relate their assessed values to market values which are more readily understood and known. Currency in appraised values is not, in itself, a sufficient reason for reassessment, since a local government can always levy higher mill rates on a smaller, older set of values to raise the equivalent tax revenue.

The key reason is to keep abreast of changes in the relative values of property over time.

A reassessment generally involves an on-site inspection of each property to ensure that all aspects of the property which should be appraised are appraised correctly. For farmland, this procedure may involve soil testing, inspecting all quarter sections, and discussing the condition of the land and crop yields with the farmer. In urban centres, the appraiser would enter and inspect the interior and exterior of all homes and other buildings. Unfortunately, this practice has not been rigorously followed in the last few years because of efforts to complete the current reassessment program by December, 1985.

## 5. ORGANIZATION AT THE PROVINCIAL LEVEL

The organization of the assessment function at the provincial level has undergone some changes in the last decade. At the start of the current round of reassessments, and for many previous years, the assessment function was handled by a branch in the Department of Municipal Affairs. Under this structure, the branch director reported to a deputy minister who, in turn, reported to the Minister of Municipal Affairs.

In 1980, the provincial government reorganized the Department of Municipal Affairs into two separate departments, Rural Development and Urban Affairs. It was felt that it would be inappropriate or inadvisable either to divide the assessment branch into urban and rural components or to locate the assessment branch in one of the departments. As a result, the provincial government established a separate agency, the Saskatchewan Assessment Authority, to be responsible for assessment. In effect, the assessment branch became the Assessment Authority and reported directly to a cabinet minister. From 1977 to 1982, the assessment function for northern Saskatchewan was under the responsibility of the Department of Northern Saskatchewan. As part of the realignment of responsibilities for northern services, the assessment function was transferred back to the Assessment Authority as of April, 1982.

The Saskatchewan Assessment Authority was established under *The Saskatchewan Assessment Act* and currently reports to the Honourable Tim Embury, as the minister responsible.

The 1985-86 budget of the Authority totals $5.5 million. The staff of the Authority consists of an executive director and other staff required to carry out its duties. Because of the need to complete the current reassessment program as soon as possible, additional funding has been provided to increase temporarily the staff complement of the Authority from 116 at the beginning of 1984-85 to the current level of 153. This consists of 69 permanent and 24 temporary appraisers and 14 temporary data entry clerks* in the 6 regional offices throughout the Province. There are also 46 staff in the Regina head office, including 9 in administration, 8 permanent and 3 temporary clerical staff, 15 temporary data entry clerks, 3 staff in research, 5 industrial appraisers, and 3 draftspersons. However, this level of staffing is scheduled to be reduced once the current reassessment program is completed in December, 1985.

### Computer System

The Saskatchewan Assessment Authority has developed a computer system which stores information on the legal description, the size and the nature of land and improvements. The computer also stores valuation tables used by appraisers in calculating assessed values, taking into account the characteristics of the property determined by physical inspection. The combination of these two types of information makes it possible for the computer to do most of the mathematical calculations involved in determining an appraised value, thereby relieving the appraisers of this routine type of task and allowing them to concentrate more on the professional aspect of their function.

The Assessment Authority leases two computers, one located in Saskatoon and the other in Regina. Each of the six regional offices of the Assessment Authority plus the assessment departments of the cities of Regina and Saskatoon, are connected to these main computers through what are called "remote terminals". These remote terminals are used to send information to the main computers for storage or for the purpose of having calculations done, and to receive information back from the main computers.

The computer system was developed several years after the 1976 reassessment program was begun, meaning that information from municipalities reassessed during the early part of the reassessment program was not initially entered into the computer. This backlog is now being dealt with and by mid-1986, it is expected that information for all municipalities will be entered into the computer system and it will be fully operational.

Once all of the data on individual properties is entered into the computer, it will be possible to experiment with different possible changes to the assessment manuals. In this way, those who are responsible for the assessment function will be able to evaluate different approaches and criteria for assessment and their impacts on various categories of property in different communities and areas of the province, before any changes are actually implemented. It will be a very valuable tool in the development of assessment policies.

The new computer system will also make it possible to use more up-to-date information in arriving at appraised values. More recent information can be used to update certain tables in the assessment manuals and certain recalculations can be done

* The number of temporary data entry clerks will be reduced once the data on individual properties reassessed in previous years is entered into the computer system.

automatically by the computer. This process is sometimes referred to as a "base year rollover" because it uses a more recent year or years as a basis for determining various market values or replacement costs as the case may be. The following categories of assessment could not be simply recalculated by the computer:

- properties which have undergone changes which could affect their assessed value. Such properties in most cases would require a physical re-inspection;
- properties for which appeal bodies have specified arbitrary assessed values;
- urban land values in communities which use an internal grading of land values. Such land values would need to be recalculated on the basis of a new gradient reflecting the new land market patterns.
- urban land values affected by adjustments for the lack of sidewalks and water and sewer systems, etc., because these factors may have changed; and
- industrial and business property. Certain data required for the calculations of these assessments are not stored in the computer system and manual calculations must be done.

## 6. EQUALIZED ASSESSMENT

Equalization of assessment is a process of converting the total assessment of a community to a common basis which will make it comparable with other communities. Equalization has been necessary in the past because:

- Some municipalities (specifically the larger cities) have used assessment manuals which differed from those used for the rest of the province. This meant that the assessments for those cities could not be compared with the assessments of other municipalities. Aggregate assessments had to be calculated for those municipalities on the basis of what they would have been had the standard provincial manuals been used. Now that all municipalities are using a common manual, this particular need for equalization no longer exists.
- During a general reassessment, which normally takes several years to complete, there will be municipalities which have been reassessed and there will be other municipalities which have not yet been reassessed. It is necessary to convert the aggregate assessment of reassessed communities back to what it would have been if the old manual had been in effect in order to ensure inter-community comparability.

It is important to have inter-community comparability for the total level of assessment to ensure that there is fairness in distributing provincial government grants which are based in part on assessments, and to ensure that local levies for health and education are distributed fairly.

The Saskatchewan Assessment Authority determines the equalization factors to be used in converting the new level of assessed values back to the old level of values. In practice, this is done in consultation with the Departments of Rural Development, Urban Affairs, and Education. Ultimately, the Minister of Urban Affairs is responsible for the equalized assessment for urban municipalities and the Minister of Rural Development is responsible for the equalized assessments for rural municipalities. The Minister of Education, after consulting with the Minister of Urban Affairs, is ultimately responsible for the equalized assessment in respect of each of the school divisions.

### Equalization Procedures

Three different equalization procedures have been used in Saskatchewan to convert the new level of assessed values back to the pre-reassessment levels:

- Individual properties have been equalized back to their pre-reassessment level, and the individually equalized assessments have been aggregated to produce an equalized assessment for the community as a whole. This procedure was used for 116 rural municipalities reassessed between 1976 and 1982 and for 32 urban municipalities reassessed in 1976 and 1977.
- Individual conversion factors have been determined for the aggregate assessment of each individual municipality. This approach was used for all urban municipalities reassessed between 1978 to 1980 and for 24 rural municipalities reassessed after 1982.
- A province-wide conversion factor for each major type of municipality (rural municipalities, resort villages and urban municipalities) was determined. This approach is now used for all reassessed urban municipalities, with the exception of the four largest cities. It was tried for rural municipalities in 1983 but discontinued.

### Implications of Different Equalization Factors

The fact that there are different equalization conversion factors in use in any particular year has implications for the level and distribution of taxes based on equalized assessment (i.e. school taxes in a school division encompassing more than one municipality, the hospital revenue tax, etc.), and on the distribution of provincial transfer payments for programs based in whole or in part on equalized

assessment (i.e. revenue sharing, school foundation grants, etc.). Once reassessment is completed, the equalization factors will be removed and the taxable assessment of the municipality or school division will also be its equalized assessment. This means that any inequities caused by the use of different equalization factors for resort villages, some R.M.s, Regina, Saskatoon, Moose Jaw and Prince Albert, will disappear. It also means that the phasing in of some equalization factors which had served to cushion or delay the shift in tax load among municipalities will be removed and the full effects of the reassessment will be felt.*

**Future Prospects for Equalization**

Once all properties have been reassessed using the provincial manuals, then the need for equalization disappears. All municipal assessments will be on a common basis, except for Saskatoon's business assessment. However, if the next round of reassessment is done in such a way that one municipality is reassessed and the new level of values placed on its assessment roll before other municipalities are reassessed, then there will again be a need for equalization.

If two different business assessment systems continue to be used, then there will likely continue to be a need to "equalize" or relate the business assessments in Saskatoon to the square footage approach to business assessment used elsewhere in the province.

Depending upon which reassessment process is used in the next round of reassessment, it could be possible to implement new assessment levels simultaneously across the province. For example, a roll-over or updating of assessment values based on more recent market value information could be done using the computer and, therefore, the assessment levels in all municipalities could be adjusted simultaneously. This would avoid the need to equalize municipal assessments to a common basis or level of value. As pointed out earlier, however, there are limitations to what can be done with a base year roll-over of assessments.*

* Because of the significant difference between the equalization conversion factor for some cities, resort villages and school divisions compared to the provincial average equalization factor, the provincial government decided to phase in some equalization factors over several years.

* See p. 9.

# CHAPTER III

## CRITERIA FOR EVALUATING A PROPERTY ASSESSMENT SYSTEM

The purposes of this chapter are to outline a set of criteria which the Commission believes should be considered in evaluating a property assessment system and to evaluate the current assessment system against these criteria. In this way, one can fairly and rationally judge how well the current system is working and where it may fall short of the objectives.

### I. CRITERIA

The Commission believes that the following criteria are important in evaluating a property assessment system:

**Comprehensive**

The system must be comprehensive - all property and businesses within urban, rural and northern municipalities should be valued in order to arrive at the total value of all property and businesses. This would provide a complete data base on which to make decisions on the incidence of taxation - i.e. the proportions of total value which should be taxed for various classes of property and the full cost of tax exemptions. However, the Commission realizes that there may be practical constraints of limited manpower and financial resources to valuing all properties and businesses including the hundreds of thousands of properties which are exempt from taxation. Nonetheless, the Commission believes that either all properties should be appraised or a sufficient number of the exempt properties should be appraised so that adequate information is available for use in the evaluation and development of policy.

**Consistency**

The system should be applied consistently so that similar properties in similar situations are treated similarly. Consistency in applying valuation procedures is an important determinant of equity. For example, two identical houses in the same neighbourhood should be valued the same. Similarly, two identical parcels of farmland should be valued the same. Since equity is the dominant factor in assessment, the importance of this criterion cannot be understated.

**Reasonably Current**

The data used in arriving at value should be reasonably current so that people will be able to relate the appraised value of their property to their understanding of current worth. However, the data should not be so up-to-date that it reflects short-term fluctuations in value. Using short-term fluctuations of value in an assessment system could produce inequities and a higher degree of uncertainty on the part of the property owner regarding the level of taxation to be faced.

**Minimize Subjective Judgments**

The system should minimize the number of subjective decisions or judgments required. While judgments will always be required in a property valuation system, regardless of which approach may be used to determine appraised values, the judgments should be minimized by having criteria which are as explicit and as clearly stated as possible. This will increase the equity and consistency of the system and thereby increase public confidence in it.

**Comprehensible**

The principles underlying the system and the general approach to valuation should be comprehensible to taxpayers. As with other objectives which may conflict, simplicity should be strived for, but not at the expense of overall equity in the system. Simplicity and understandability should help to enhance taxpayer confidence in the assessment system.

**Administrative Feasibility**

The system should be administratively feasible and economic.It should be capable of being administered and enforced in an efficient and economic manner. Systems which are equitable but cannot be administered, or only at great expense, should be avoided.

**Fair Appeal Process**

The system should provide an open and fair appeal process for taxpayers to challenge decisions they believe to be unfair. There should be adequate information given to taxpayers regarding the assessment of his or her property or business and regarding the appeal process. The appeal process itself should be accessible and understandable to taxpayers to use in appealing valuation decisions. An open and fair appeal process will increase the fairness of the assessment system and increase the public understanding of and confidence in the assessment process.

**Continuity**

There should be continuity in the system so that sudden, large shifts in tax burden between taxpayers are minimized. Large shifts in tax burden cause uncertainty for taxpayers, a reduced ability for businessmen and others to plan their financial affairs, and lack of confidence in the system. Where there are major shifts in tax burden required to reflect changing situations, other than shifts due to the lack of or level of maintenance of the assessment roll, the system should provide a mechanism to enable a phasing-in of such changes so that their negative effects can be minimized.

**Local Government Participation**

Those local governments which use the assessment system extensively in financing their operations should have input into how the system is designed and should have some responsibility for managing and operating the system. This would make local governments more accountable for the property tax base and would give local governments a sense of ownership of the assessment function.

## 2. EVALUATION OF THE CURRENT SYSTEM

If one were to evaluate the current assessment system against the earlier-stated criteria, the current system meets some criteria reasonably well but, at the same time, it falls well short of other criteria.

**Comprehensive**

Although the urban, rural, and northern municipal legislation specifies that all land, improvements, and businesses within municipalities shall be assessed, in reality many properties and businesses are not assessed. One reason why some properties are not assessed is that the limited staff have been allocated to appraise taxable properties, rather than exempt properties which do not generate tax revenues. Another reason is that local administrators or councils may be unaware of changes to property or may overlook small businesses established in rural areas because of the benefit of having the business within the area. Newly-broken farmland may be ignored because the farmer may have had a bad crop year and is judged to need some relief. Although this may be a problem at the local level it is, nonetheless, an element to be considered in the comprehensiveness of the overall assessment system.

The Commission realizes that financial, manpower, and practical constraints may not permit all properties and businesses to be appraised. However, the Commission suggests that a sufficient number of exempt properties should be appraised in order to obtain the necessary information to evaluate the policy implications and options regarding such exemptions.

**Consistency**

The current assessment system endeavours to treat in a similar manner similar properties in similar situations. Where the system may fall short is in the adequacy of the inspection or appraisal of property. For example, if two similar quarter sections of agricultural land are not inspected properly, their assessed value may well be different, beyond the small margin of judgment considered to be acceptable. In the case of two identical houses in the same neighbourhood, if the interior of one house is inspected, but the other is not, then the potential exists for inconsistencies. In the last three years, the Assessment Authority has altered its previous practices in an effort to complete the reassessment program within its original time frame and in so doing, it has not exercised the thoroughness of reinspection that is desirable.

**Reasonably Current**

The current urban manual used 1961 to 1970 cost data for improvements, and 80% of 1972-73 sale values for urban land.According to the Assessment Authority, the reason for taking only 80% of the 1972-73 land sale value was to avoid tying the land values to any potential peak in urban land. While this problem could have been overcome by averaging land values over several years, this was not done due to data and time limitations in preparing the manual. The time period for cost data for improvements is sufficiently long to avoid the problems of any short-term peaks or fluctuations. With regard to the relative currency of the data, the data may have been the most recent data available at the time the manual was being developed. However by the time the 10 year cycle of the reassessment program is completed, the data are out-of-date.

The fact that the current rural assessment manual was developed on the basis of wheat yields over the 1942 to 1961 time period is of concern. While having a long period over which to calculate yields is desirable, in that it avoids short-term fluctuations and isolated weather conditions, it is also substantially out-of-date. Compiling more recent crop yield information would improve the current rural agricultural assessment system. It should be noted that the old rural manual which is just now being phased-out was based on yields over the 1917 to 1936 period, and could not be expected to reflect current farming practices or crop yields.

**Subjective Judgments**

All assessment systems involve some degree of subjective judgment in determining appraised values. This can occur due to the nature of the approach taken to estimate or determine the value of property and businesses, the level and quality of training provided to appraisers, and the nature and clarity of direction given to appraisers in various manuals as guides.For example, the market value approach to

valuation relies upon recent sales data to estimate the value of property. However, not all homes or farms are sold and, therefore, the appraiser must still relate the selling price of one property to another property which may not be identical and which may be located in a different area. As a result, the appraiser must evaluate the differences and make the appropriate adjustments in order to estimate the market value of the other property. The modified market value approach used in Saskatchewan also relies to a degree on subjective judgments to appraise equitably one property to another through the use of valuation tables contained in a set of assessment manuals, but the degree of subjectivity would seem to be much less in comparison with the regular market value approach.

The least amount of judgment is probably required for the assessment of improvements because the manuals specify values for different types and sizes of improvements and they contain valuation tables on everything from plumbing to electrical systems. Farmland is complex to appraise because of the varied soil types and the various physical and other factors which may detract from productivity. Commercial and industrial properties also tend to be complex to appraise.

All assessment systems need adequately trained appraisers to ensure that appraisals are done correctly and consistently among properties and by all appraisers. In many other jurisdictions appraisers are required to have completed a recognized program of studies offered by an appraisal institute or a provincial educational institute. In Saskatchewan, urban appraisers are required to have a grade twelve education and it is desirable, but not essential, that they have some experience in or familiarity with the housing or construction industries.Potential urban appraisers are given a three-week training program by the Assessment Authority which includes some field work. Rural appraisers must have a recognized degree in agrology and are also given a two-week training program which includes some field work. In the field, both urban and rural appraisers work under supervisors who give direction and guidance on an "as-needed" basis. In practice, the more complex properties are assigned to the more experienced appraisers.

The academic qualifications of rural appraisers with their degree in agrology would appear to be quite adequate to study and analyze the soil types and other aspects of farmland which are fundamental to the net productivity approach to rural assessment. While rural appraisers have a solid academic background, they also need to have an adequate knowledge and understanding of valuation theory and practice, and they require some practical experience. It is doubtful that a two-week, in-house training program is sufficient to teach potential new appraisers all of the necessary valuation and proper procedural steps to value farmland.

Urban appraisers generally lack the same level of academic qualifications as rural appraisers have. Similarly, it is doubtful that a three-week, in-house training program can adequately replace professional accreditation courses.

On the whole, if appraisers lack adequate training, then there is a greater risk that appraised values will not be properly determined and that the appraiser's decisions or judgments may not be as fair and as consistent as possible.

Since the manuals are used to guide the appraiser in valuing property, it is essential that the manuals be comprehensive and well written. Otherwise, the appraiser may be forced to interpret or guess at what is meant by the narrative, how to use a table to find a particular value, or how to value an aspect of property which may have been omitted from the manual. The current manuals tend to be technical documents filled with various tables and only limited narrative. These manuals could be re- written so as to be easier to read and to provide clearer directions to the appraisers who must rely upon the manuals to do their job.

**Comprehensible**

The assessment system is not understood by the general public nor by most local and provincial government officials. While assessment is a technical subject which most people shy away from and would prefer not to have to deal with, it does involve principles of equity and procedures which should be widely understood and accepted.

Since the current assessed values are based on somewhat dated crop yield, cost, and sales information, the assessment of most properties represents only a small proportion of their current market values. In the case of business assessment, the rationale for the assessment and the fairness of the approach used are also not understood. Because the assessed values bear little resemblance to the current values of properties, it makes it difficult for most people to understand just what the assessed value of their property is measuring. It also leads to apprehension over the fairness of the assessment system. If people do not understand the assessment system, it is difficult for them to accept that it is fair simply because someone tells them it is fair.

The dominant objective in any assessment system is equity.Most people understand and accept the premise that an owner of a property which is worth much more than another property should be assessed at a higher amount. In the case of a market value approach to valuation, this sense of fairness is promoted if the public knows the selling prices or if its expectations of market values are correct. On the other hand, the comparison between the same two properties under the modified market value system is more difficult and less obvious because assessed values represent only a fraction of current market values.

**Administrative Feasibility**

In spite of a number of problems and issues with assessment in Saskatchewan, the mere fact that it has been in place for many decades suggests that the current assessment system is administratively feasible. Although there is little doubt that improvements can be brought about, the system is not so complex or cumbersome as to make it unworkable. Considering the fact that there are approximately one million properties which generate property taxes of about $625 million annually, and that there are only about 200 provincial and civic staff assigned to the function, one might conclude that it is fortunate that problems are not greater than they are.

In evaluating a system's administrative feasibility, one should also consider the division of responsibility and the relationship between local assessors and provincial appraisers. The local assessor is a municipal employee who is responsible for preparing an annual assessment roll and for identifying and notifying the provincial assessment staff of all changes which affect the assessed value of individual property and businesses within the municipality. In all municipalities except Regina, Saskatoon, Moose Jaw and Prince Albert, the provincial staff appraise the property or business and provide this information to the local assessor who, in turn, places the assessed value on the assessment roll. Concerns have been expressed about the diligence of some local assessors in maintaining their assessment rolls and about the speed with which the provincial staff respond to municipal requests for maintenance pick ups. In addition, local assessors are unable to provide the detailed explanation of how and why an assessed value for a particular property was determined. Although these problems do exist, they do not bring the overall administrative feasibility of the system into question.

**Fair Appeal Process**

There is a two-tiered assessment appeal process; a local body known as either the Court or Board of Revision, and a provincial body called the Saskatchewan Assessment Appeal Board.

From the municipalities' perspective, most appeals to the local appeal body are not assessment appeals but instead are appeals against the level of taxes or services provided. In effect, the local appeal body serves as a means by which citizens can express their concerns to the municipality. From the standpoint of providing this forum for local citizens to air their concerns and for dealing with the more straight-forward assessment appeals, municipalities generally feel that the local appeal bodies work well. The more complicated appeals or appeals involving areas of assessment policy tend to be referred to the provincial appeal board.

From the taxpayers' perspective, the appeal process is not well understood and many people do not understand their right to appeal or to challenge the assessment on their property. Although the appeal notice is usually attached to the assessment notice, many taxpayers do not understand the basis upon which they may challenge the assessment and many taxpayers do not have sufficient information upon which to make a decision whether or not to appeal. Insufficient information, especially when a general reassessment is undertaken and there is a great deal of shifting of the tax load, can cause widespread uncertainty and confusion regarding individual property assessments.

The fact that a formal appeal to a "Court of Revision" may be required to enquire about or to challenge an assessment can be intimidating and may discourage some appeals. Still others regard a local appeal body comprised entirely or largely of municipal aldermen or councillors as "unfair" since the municipality and the other local taxing authorities may appear to stand to gain by leaving unchanged the assessment of an individual property. On the other hand, for example, many rural councillors are regarded as being very knowledgeable about farmland in their area and, therefore, may be the best persons to sit on the local appeal body. Concerns have also been expressed about the relative degree of reliance which local appeal bodies place upon the provincial appraiser who did the valuation to provide information and explanations about the assessments. Whether these concerns are real or only perceived in specific instances, they do serve to reduce the overall level of public confidence and trust in the appeal process and ultimately in the overall assessment system.

At the provincial level concerns have been expressed about the length of time it may take to obtain a decision from the Saskatchewan Assessment Appeal Board and, in some cases, from the Court of Appeal. These delays cause uncertainty and may cause financial hardship for individual taxpayers and the municipality, school board or other local taxing authority.

When the Appeal Board holds a hearing in a community, normally only two or three members and the Board secretary hear the appeal. The fact that only two or three members hear the appeal can leave an unfavourable impression upon appellants.There is also a risk of inconsistent Board decisions due to changes in attendance by Board members from hearing to hearing throughout the province during the course of a year. Both of these factors combine to place the onus for ensuring continuity of decisions with the secretary to the Appeal Board. This is an unfair position in which to place the secretary.

Appeal Board members serve on a part-time basis and are generally former appraisers who have retired. The concerns about the timeliness of the Board's decisions and the pressure to decide appeals quickly must be balanced against the fact that the Board hears most appeals in the May to November time period.This means that it only needs members on a part-time basis to hear appeals. As a result, the pool

of potential Board members tends to be limited to retirees.

Recent legislative changes now require the appeal bodies to give their decisions and explanations in writing. This will improve accountability and the sense of openness in the appeal process. Otherwise, appellants could be left to wonder why the appeal was denied or affirmed and, therefore, the appeal process could be perceived as being unfair.

**Continuity**

Under the current assessment system, municipalities are reassessed at least once every 10 years, except in those cases where the Assessment Authority extends the deadline such as in Moose Jaw which went 19 years between reassessments. The long time period between reassessments creates a greater likelihood of large shifts in tax burdens among property owners because relative land values within a municipality can change substantially in 10, 15 or more years. As noted earlier, these large shifts in tax burden can cause uncertainty and a lack of confidence in the assessment system which produced them.

Recent changes to provincial legislation permit a municipality to phase in the new assessment values for the whole municipality generated by a reassessment. This phase-in provision is for three years and is available to all municipalities that have been reassessed in 1984 and later. To date, only the City of Saskatoon has chosen to phase in its reassessment. The decision to phase in the new values applies to all property including property which has a decrease in assessed value, and not just property which experienced a large increase in assessed value.

Municipalites also can, by bylaw, decide to compromise, abate or refund property taxes for individual property owners or businesses. In this way, municipal councils can reduce the annual tax payments and indirectly phase in the effect of new assessed values for individual property owners.

**Local Government Participation**

Generally speaking, local governments have no direct participation or say in the development of assessment policy and in the preparation of the assessment manuals. Local governments tend to regard assessment policy as a provincial responsibility even though assessment forms the tax base for the property tax, the largest single source of local government revenue. Decisions such as changing the percentage of the appraised value of improvements from 60% to 50%, which has the affect of increasing the emphasis on land in the overall assessed value of property, were made at the provincial level with no opportunity for involvement by local governments.

When the Saskatchewan Assessment Authority was established, the provincial government also established an Assessment Advisory Board which advises the minister on any assessment matters referred to it by the minister such as the valuation approach to irrigated farmland. Although the Board includes representatives from the major local government organizations, its role has been to review and make recommendations on a very limited number of specific areas of concern, rather than to develop general assessment policy.

Local governments have expressed concerns about the timeliness of the maintenance of assessments and general reassessments, and concerns about the level of financial and staff resources allocated to the assessment function. These concerns reflect the lack of local input and responsibility for the assessment system since the provincial government has, to date, made the decisions regarding timing, budget and staffing according to its own priorities.

**Conclusion**

The current assessment system has been in place for some time and, although improvements are required, the system is workable. Municipalities generally feel that the local appeal process works well, even though it serves largely as a forum for airing residents' concerns about their local government services and tax levels. Individual taxpayers are generally poorly informed about the appeal process and perceive some problems with the way it works. Concerns have also been expressed about the operation of the provincial appeal boards. However, the two-tiered appeal process seems to work reasonably well.

In regard to the comprehensiveness of the system, the Commission has concluded that it would not be practical to spend large sums on appraising all properties that are exempt from taxation, but believes that sufficient numbers of such properties should be appraised to ensure enough information is available to do policy analysis.

For the most part, properties have been valued consistently; however, the recent rush to complete the reassessment program has raised questions in this regard.

All assessment systems involve some degree of subjective judgment in determining appraised values. Unfortunately, the current assessment system is deficient in the areas of training and guidance of appraisers to do their jobs.

The assessment system is not well understood. The data used in determining appraised value is out-of-date which only adds to the lack of understanding of and apprehension about assessment. The long time periods which have occurred between reassessments can have a sudden and major impact on taxpayers. There are few mechanisms available to cushion the impact of such changes. Finally, there has been virtually no local government participation in the development and management of the assessment system.

# CHAPTER IV

## GOVERNANCE OF THE ASSESSMENT FUNCTION

The purpose of this chapter is to present background, issues and conclusions in regard to the governance of assessment. By governance, the Commission means the exercising of direction, control and management over the assessment function.

### I. TYPES OF DECISIONS

There are four main types of decisions which are made in regard to a system of property assessment:

**Classification of Property**

One of the decisions is identifying different categories of property and dividing them into clearly defined classifications. Properties may be classified in accordance with:

- the use to which the property is put (e.g., residential land, commercial land, farmland, etc.);
- the type of property (e.g., land, improvements, fixed equipment); and
- the ownership of the property (e.g., commercial enterprise vs charitable organization).

Appropriate classification of property is necessary if it is desirable to use different approaches for appraising different types of property. For example, there may be different techniques required to arrive at estimates of value for commercial as opposed to residential land, or for farmland as opposed to urban land. Classification of property is also important in order to permit decisions to be made and implemented in regard to the allocation of the overall tax load on various categories of property.

**Basis for Appraisals**

Another type of decision is determining the basis upon which properties will be appraised (e.g., market value and the basis for estimating market value, replacement cost, the base year or years used for arriving at values). In effect, decisions on these matters determine largely the content of the manuals used by appraisers.

**Appraised vs Assessed Values**

Another type of decision is arriving at the percentage of appraised values which should actually be used in determining the assessed value which will appear on the assessment rolls. Under the current assessment manuals, for example, urban land is to be assessed at full appraised value, all improvements at 50% of appraised value and rural farmland at 60% of appraised value. The use of different percentages of appraised value for different classifications of property has the effect of determining the distribution of the property tax load among those different categories of property.

**Appraising Each Property**

Appraisers must make the decisions required to determine values for individual properties in accordance with the relevant manuals.

In addition to these four categories of decisions, an assessment system must have the normal management decisions involving amount of resources allocated to the function, personnel policies and practices, scheduling, quality review, etc., that apply to any type of organization.

The Commission believes that the first three types of decisions are policy decisions and should be made by a senior policy-making body with accountability, either directly or indirectly, to an electorate and to the users of the assessment base. The determination of values for individual parcels of property are the responsibility of the professional appraiser whose accountability is to the management and policy body.

### 2. PROBLEMS WITH CURRENT ARRANGEMENTS

The Commission is of the opinion that the current governance of the assessment function suffers from several weaknesses of major importance:

- Neither the local governments that use the assessment system in a major way nor the organizations which represent them have formal participation in the development of assessment policies and practices. The property tax is a mainstay of local governments and they have a vital interest in the functioning of the assessment system.
- There has been long-term gross inadequacy in the resources allocated to the research and policy development functions of assessment.

To illustrate, there is the equivalent of approximately three full-time positions in the Saskatchewan Assessment Authority assigned to research and policy development. Considering the major problems that the assessment system has been experiencing over the past few years, plus the fact that a new round of reassessments will begin in 1986, such a small commitment to research and policy development must be of serious concern. A tax base which consists of several billions of dollars of real property and which generates annually about $625 million in revenue warrants a considerably greater commitment of resources.

- There have been inadequate resources allocated to the ongoing process of reassessment of properties. To illustrate, a province-wide reassessment was initiated in 1976. By law such a general reassessment must be completed every ten years. For each of the first 7 years, an average of 21 rural municipalities had new reassessed values placed on their assessment rolls.*
- An average of 51 municipalities had to have their reassessments completed in each of the last 3 years in order to accommodate the 10-year statutory requirement. In other words, the rate at which rural assessments had to be completed has increased by 2 1/2 times. Although some additional resources have been allocated to the assessment function to complete the remaining rural assessments, there is a widespread perception that assessments are simply being done more quickly and less thoroughly, thereby bringing the quality of the assessments into question.
- There is a widespread feeling among local governments that over the decades provincial governments have not given sufficient priority to the assessment function. They believe that this is reflected in the level of resources allocated to the assessment function and the absence of attention given to many important policy questions relating to the governance of assessment and assessment principles and practices.
- There is a general lack of knowledge about the principles of assessment and how the assessment system operates, not only among the general public, but among many of the local governments which use the property tax. In particular, there is confusion relating to where the important decisions relating to assessment are made. Some think the ultimate decisions are made by the municipalities, others think that they are made by the Saskatchewan Assessment Authority, while others think they are made by the Ministers of Urban Affairs or Rural Development. Some think they are made by the Minister in charge of the Saskatchewan Assessment Authority, while others think they are made by the Saskatchewan Assessment Appeal Board.
- There has been a lack of distinction made between important policy decisions on one hand, and the decisions associated with the ongoing administration of the assessment system on the other hand. It appears that many policy decisions have been made by administrators rather than by a senior policy-making body accountable either directly or indirectly to an electorate. It is inappropriate for important policy decisions to be made by administrators because of the consequential lack of accountability to the public for those decisions.
- There have been substantial shifts of tax burden arising from the general reassessment begun in 1976 and now drawing to completion. This is not a problem in and of itself because the main purpose of a reassessment is to take into account changes in the pattern of property values and to reassign the property tax load in accordance with these changed values. The problems are mainly in two categories. First, the shifts in tax incidence arising from the reassessment should have been identified before the assessment manuals were implemented so that judgments could be made on the desirability of the shifts and adjustments made in the manuals if necessary. Secondly, the manuals and the policies associated with them appear to have been implemented without an appropriate degree of involvement and discussion with local governments and without an appropriate degree of endorsement by elected provincial officials who currently have the ultimate responsibility for the assessment function.

The Commission has made the foregoing observations not for the purpose of retrospectively placing blame or responsibility on any elected or administrative official, but for the purpose of helping to ensure that governance structures and administrative practices are put in place to prevent the recurrence of such problems in the future.

In defence of current and past officials, the Commission makes the following observations:

- The management and staff of the Saskatchewan Assessment Authority have been very helpful to the Commission in assembling information, discussing openly the problems and issues of the past and present and in considering options for the future. They have acknowledged freely problems and

*See Appendix 7.

issues and have been prepared to deal with them on a professional basis with the resources at their disposal.

- The establishment of the Local Government Finance Commission reflects an acknowledgement by the Government of Saskatchewan that there are problems and issues to be addressed in the Saskatchewan assessment system.

- Not all problems and issues can be dealt with by simply spending more money. Sometimes there must be fundamental structural changes and new policy directions established before it is prudent to assign more public moneys to a particular function.

- Some have suggested that had economic circumstances been more favourable, there would have been greater acceptance of the reassessment program. They have suggested, for example, that high interest rates, sluggish international grain markets and areas of flooding, drought or insect infestations have all created economic hardships in rural areas and have made people in those areas much more sensitive to tax changes which may appear to be unfavourable to them.

- Because of the relative infrequency with which general reassessments are undertaken, it is understandable that many officials, particularly those who are elected and who generally have limited continuity in their offices, suffer from a lack of experience with assessments, the issues and problems that can arise, and alternative approaches to anticipating and dealing with those problems and issues.

- Great strides have been taken to computerize the assessment function as much as possible. As a result, less time will be consumed in manual calculations and there will be an enhanced ability to test different assessment criteria before they are actually implemented.

## 3. A NEW GOVERNANCE STRUCTURE

The Commission believes that a new approach is needed to the governance of the assessment function in order to address the problems and issues which have been identified. The major elements of the new approach are:

- **Saskatchewan Assessment Management Agency**

***IV-1 - THE COMMISSION RECOMMENDS THAT A NEW ASSESSMENT ACT BE PASSED TO ESTABLISH AN INDEPENDENT SASKATCHEWAN ASSESSMENT MANAGEMENT AGENCY (S.A.M.A.) WHICH WOULD HAVE THE RESPONSIBILITY FOR CONDUCTING THE APPRAISAL AND ASSESSMENT OF ALL PROPERTIES AND BUSINESSES IN THE PROVINCE.***

- **Board of Directors**

***IV-2 - THE COMMISSION RECOMMENDS THAT THE SASKATCHEWAN ASSESSMENT MANAGEMENT AGENCY BE HEADED BY A BOARD OF DIRECTORS WHICH WOULD HAVE THE AUTHORITY AND RESPONSIBILITY FOR ASSESSMENT POLICIES AND FOR THE GENERAL FUNCTIONING OF THE ASSESSMENT SYSTEM.***

- **Selection of Board of Directors**

The Commission believes that local governments which use the property tax in a major way and which, therefore, have a substantial interest in the functioning of the assessment system, should be represented on the board of directors. This criterion currently applies to rural municipalities, urban municipalities and school divisions.

The provincial government uses assessments in many of its large grant formulas and revenue sharing programs and should also have representation on the board of directors.

Both municipal councils and school boards are chosen from the same citizenry, both must stand for election and be held accountable for their performance, both annually agonize over balancing the need for public services on one hand against the financial status and economic interests of the ratepayers on the other hand, and both want and need a property assessment system which brings about an equitable distribution of the local tax load among their ratepayers. Neither municipal councils nor school boards, however, have any responsibility at present for fundamental policies on assessment.

The fact that municipalities have responsibilities for issuing assessment notices, establishing courts of revision, issuing tax notices and collecting taxes, while school divisions do not have those responsibilities, is not a valid argument for municipal government to be the exclusive representative of local government on the board of directors. The board of directors would be responsible for establishing policies, principles, and practices impacting substantially upon all major users of the property tax, and all such major users should be represented.

The Commission believes that local governments have the most at stake in regard to the assessment system, that they require participation in establishing policy and managing the assessment system and that, therefore, they should have the majority representation on the board of directors.

***IV-3 - THE COMMISSION RECOMMENDS THAT URBAN MUNICIPALITIES, RURAL MUNICIPALITIES AND THE PROVINCIAL GOVERNMENT EACH HAVE TWO REPRESENTATIVES AND THAT SCHOOL DIVISIONS HAVE ONE REPRESENTATIVE ON A SEVEN MEMBER BOARD OF DIRECTORS.***

- **Appointment of Board of Directors**

***IV-4 - THE COMMISSION RECOMMENDS THAT THE BOARD OF DIRECTORS BE APPOINTED BY THE LIEUTENANT GOVERNOR-IN-COUNCIL. THE NON-PROVINCIAL GOVERNMENT REPRESENTATIVES SHOULD BE SELECTED BY THE SASKATCHEWAN ASSOCIATION OF RURAL MUNICIPALITIES, THE SASKATCHEWAN URBAN MUNICIPALITIES ASSOCIATION AND THE SASKATCHEWAN SCHOOL TRUSTEES ASSOCIATION RESPECTIVELY.***

- **Tenure of Members of Board of Directors**

The Commission seriously considered having a fixed renewable three-year term for all members of the board of directors. Under this arrangement, after the respective local government organizations had selected their representatives and the Lieutenant Governor-in-Council appointed them to the board, the local government organizations could not change their representatives until their term expired. This arrangement would ensure the independence of the board of directors and would shield it from short-term political interference.

The Commission believes, however, that it is of even greater importance to have a board of directors which is accountable. If those who select board members are displeased with the performance of the board and/or the performance of their own representatives in particular, the Commission feels that those who make the selection of board members should have the opportunity of changing their representatives at any time, if they so desire.

***IV-5 - THE COMMISSION RECOMMENDS THAT MEMBERS OF THE BOARD OF DIRECTORS BE APPOINTED FOR THREE YEAR RENEWABLE TERMS, BUT THAT THE BODIES CHOOSING REPRESENTATIVES ON THE BOARD HAVE THE AUTHORITY TO CHANGE THEIR REPRESENTATIVES.***

- **Chairman of Board of Directors**

***IV-6 - THE COMMISSION RECOMMENDS THAT THE MEMBERS OF THE BOARD CHOOSE AND APPOINT ONE OF THEIR MEMBERS TO BE THE CHAIRMAN.***

- **General Manager**

***IV-7 - THE COMMISSION RECOMMENDS THAT THE BOARD OF DIRECTORS OF THE SASKATCHEWAN ASSESSMENT MANAGEMENT AGENCY APPOINT A GENERAL MANAGER WHOSE DUTIES WOULD BE TO ENGAGE AND SUPERVISE STAFF, DIRECT AND MANAGE THE GENERAL ASSESSMENT FUNCTION, IDENTIFY POLICY-ORIENTED PROBLEMS AND ISSUES REQUIRING ATTENTION OF THE BOARD OF DIRECTORS AND ASSIST WITH POLICY DEVELOPMENT AS REQUIRED BY THE BOARD OF DIRECTORS.***

- **Staff**

The ideal situation would be to have all of the appraisal staff in the employ of the Saskatchewan Assessment Management Agency so as to facilitate the process of ensuring uniformity in assessment practices and procedures across the Province and for general administrative simplicity. However, the Commission recognizes the transitional difficulties that would be encountered in the incorporation of the substantial appraisal staff in Saskatoon and Regina into the Agency. The Commission is of the opinion that existing assessment staff in the four largest cities could

continue to be in their present employ as long as legislative provisions were sufficiently clear to ensure that the board of directors had the authority to ensure that assessment policies practices and procedures in those cities were consistent with the rest of the Province and that only manuals authorized by the board were used in appraisals.

Although the Saskatchewan Assessment Management Agency should be independent, the Commission believes that staff should continue to be hired under the Public Service Commission, that the Saskatchewan Government Employees' Union should continue to represent in-scope employees of the Agency, and that employees' pensions, group life insurance, disability income plan and dental plan should continue to be under the Public Employees Benefits Agency. In other words, the Commission suggests providing for as much continuity as possible in employee relations.

***IV-8 - THE COMMISSION RECOMMENDS THAT THE ASSESSMENT STAFF IN THE FOUR LARGEST CITIES CONTINUE TO BE EMPLOYED BY THEIR RESPECTIVE CITIES AND THAT OTHER PROVISIONS FOR THE STAFFING OF THE NEW AGENCY ENSURE AS MUCH CONTINUITY AS POSSIBLE WITH CURRENT ARRANGEMENTS.***

- **Staff Training**

Appraising property and businesses is a challenging job requiring specific technical knowledge and the exercising of sound judgment to determine appraised values. The Commission believes it is important to establish appraising as a desirable and a rewarding career. Attracting qualified people to this line of work is only one element while keeping the people motivated and adequately rewarded financially is another matter which confronts all organizations, including assessment.

The academic and practical training of appraisers and their on-the-job experience is essential to a successful assessment system. The Commission doubts that a two or three week in-house training session offers adequate time for potential appraisers to learn the valuation theories and practices and to demonstrate an understanding of the overall assessment function, urban and rural land valuation, valuing residential and commercial improvements, depreciation and business assessment. In addition, potential appraisers should have an understanding of their role and responsibilities as appraisers, as well as learning and acquiring the necessary inter-personal and communication skills which will be required to carry out their assignments.

In Manitoba and British Columbia all trainee level appraisers are required to enroll in a provincial or national accreditation program. To advance to a higher job classification appraisers are required to complete specific parts of the accreditation course, and to have a minimum number of years of appraisal experience.

In Alberta, the Faculty of Extension of the University of Alberta offers an eight course certificate program in Municipal Assessment. The program is designed to develop the appraisers' practical and theoretical knowledge and to complement in-service or other professional studies.Completion of the program is an educational requirement for accreditation of an appraiser in Alberta. A program advisory committee is responsible for planning and reviewing the program to ensure that it continues to meet the needs of appraisers. In this regard, the provincial Alberta Department of Municipal Affairs, Assessment Training Branch, has prepared a competency based training program which identifies the necessary tasks and skills required for appraisers. As in the other western provinces, Alberta has entry level and progressive levels of appraisers leading up to qualified appraisers who must possess a professional designation from the provincial assessors association.

The necessary job knowledge and skills can be obtained through in-house training programs, provincial or national accreditation programs, or a combination of in-house and accreditation courses. A Saskatchewan Assessors Association exists, but it is not formally organized as a professional association and it does not offer accreditation courses leading to professional designation. If the proposed new Saskatchewan Assessment Management Agency were to provide an expanded program of in-house training, considerably more time and resources would be required than the one staff position currently assigned by the Saskatchewan Assessment Authority to education and training. A commitment to training would require an identification and description of the tasks and the skills required to do specific tasks, developing course material, full-time instructors and arranging for training facilities.

Another option is the development of courses and training programs to be offered in Community Colleges, the Wascana and

Kelsey Institutes of Applied Arts and Sciences, or the Extension Division of the University of Regina or Saskatchewan. By offering courses on property appraisal and valuation theories and approaches at the community college, institute or university level, more young Saskatchewan people would become aware of property appraisals as a potential career. This approach would also serve to expand the pool of potential appraisers and to increase the level of understanding of the overall assessment system. Completion of a program of studies in appraisal should lead to a diploma or certificate. This approach could be supplemented by in-house training programs to ensure that trainee appraisers demonstrate an understanding of appraisals and the inter-personal and communication skills which will be required in their field work.

***IV-9 - THE COMMISSION RECOMMENDS THAT A PROGRAM OF STUDIES IN APPRAISAL BE DEVELOPED AND OFFERED THROUGH EITHER THE COMMUNITY COLLEGES, WASCANA AND KELSEY INSTITUTES OF APPLIED ARTS AND SCIENCES, OR THE EXTENSION DIVISION OF THE UNIVERSITY OF REGINA OR SASKATCHEWAN. THIS PROGRAM OF STUDIES LEADING TO A CERTIFICATE OR DIPLOMA IN APPRAISAL SHOULD BE SUPPLEMENTED BY IN-HOUSE TRAINING PROVIDED BY THE PROPOSED NEW SASKATCHEWAN ASSESSMENT MANAGEMENT AGENCY.***

- **Respective Roles of the Agency and the Provincial Government**

The Commission believes that the provincial government should have the responsibility of deciding, mainly through legislation:

- which properties are taxable or exempt;
- which local governments have access to the property tax base and any conditions or limitations pertaining to that access;
- whether or not there is a business tax and whether or not business assessment is subject to local education levies;
- whether or not local governments have the authority to implement variable mill rates; and
- the amount of provincial financial support to be provided to the Agency.

The Commission believes that the board of directors should be responsible for:

- deciding upon the different classifications into which properties should be divided;
- the method of valuation that is to be used in appraising the various types of property;
- the base year(s) to be used in the appraisals;
- the number of staff and the budget level for the Agency;
- the maximum interval between general reassessments;
- the percentage of value to be applied to the appraised value for each classification of property in arriving at assessed values;
- the approval of the assessment manuals; and
- the overall management of the assessment function.

***IV-10 - THE COMMISSION RECOMMENDS THAT A NEW SASKATCHEWAN ASSESSMENT MANAGEMENT AGENCY ACT CLEARLY SPELL OUT THE RESPECTIVE ROLES OF THE PROVINCIAL GOVERNMENT AND THE BOARD OF DIRECTORS OF THE SASKATCHEWAN ASSESSMENT MANAGEMENT AGENCY.***

- **Reporting**

A member of Cabinet would be required to be assigned responsibility for the Saskatchewan Assessment Management Agency. This does not mean that the minister would make the ultimate decisions on policy. Instead, it means that a minister must be assigned the responsibility for bringing legislation pertaining to the Agency before the Legislative Assembly from time to time, and for submitting proposed provincial government contributions for the financing of the Agency to the Assembly for debate and approval. This does not detract from the independence of the proposed agency. Even semi-judicial bodies such as the Local Government Board report to the Legislative Assembly through a minister.

The Commission believes that there would be merit in having a minister other than the Minister of Urban Affairs, Rural Development or Education perform the foregoing role, because of perceptions which may otherwise be created. Even though the proposed agency would be independent and would not take direction from the minister, some may have other perceptions. Some may have the belief, for example, that if the minister in charge were the Minister of Rural Development, rural assessment issues would receive undue attention or priority in relation to other issues.

***IV-11 - THE COMMISSION RECOMMENDS THAT A MINISTER OTHER THAN THE MINISTER IN CHARGE OF URBAN AFFAIRS, RURAL DEVELOPMENT OR EDUCATION BE ASSIGNED AS THE MINISTER THROUGH WHOM THE AGENCY REPORTS TO THE LEGISLATIVE ASSEMBLY.***

***THE COMMISSION FURTHER RECOMMENDS THAT CONSIDERATION BE GIVEN TO ASSIGNING THE RESPONSIBILITY FOR THE AGENCY TO THE MINISTER OF FINANCE.***

- **Finance**

The Commission believes that the Agency should be financed from two main sources:

- a grant from the provincial government, and
- a standard levy in equalized mills on each rural municipality, urban municipality, and school division.

Both the provincial government and local governments have an interest in assessment and both should be required to finance the function.

The Commission believes that it would not be desirable for an agency with only one-quarter of its governing body representing the provincial government to have the authority to unilaterally determine the level of contribution from the provincial government. In effect, this would amount to the writing of a blank cheque by the provincial government. On the other hand, the Commission believes that the provincial government should make a major contribution to the financing of the function, and there should be no large year-to-year disruptions in the level of that contribution.

The Commission believes that the governing legislation should specify that the Government of Saskatchewan shall make a grant to the Agency and that the grant shall be no less than the current level of spending by the provincial government on the assessment function. The Commission believes that the percentage of costs covered by the levy on local governments should increase over the years, but that the share of the provincial government should not fall below 50%.

The Commission believes that the difference between the budget level established by the board of directors and the provincial grant should be financed by a levy by the board of directors on each municipality and school division. Local governments are the major users of assessments, and it is primarily to local governments that the board of directors is accountable. Accordingly, the Commission believes that it is appropriate for local governments to finance a share of the costs and to be responsible for whatever portion of the required expenditures are not financed by the provincial government. The Commission also believes that the governing legislation should specify that the levy should be the same number of equalized mills on each municipality and school division.

Rather than have each local government individually remit its payment to the Agency, there may be merit in having the amounts deducted as "check-offs" from provincial grants.

The Commission envisages the four largest cities continuing to employ their own assessment staff* and conducting all or a portion of their respective appraisals. It would obviously be unfair for these cities to bear the expense of these staff, plus contribute the same number of mills to the Agency as other local governments which do none of their own appraisals. Accordingly, the Commission believes that the board of directors of the Agency should have the authority to make an appropriate adjustment in the levy on the local governments in those cities.

The Commission also believes that while the board of directors of the Agency should have the ultimate authority to determine its budget, the board of directors should be required to consult with the provincial government and the local government organizations.

***IV-12 - WITH REGARD TO THE FINANCING OF THE ASSESSMENT FUNCTION, THE COMMISSION RECOMMENDS:***

* See Recommendation IV-8.

***IV-12.1 - THAT THE NEW ASSESSMENT ACT GIVE THE SASKATCHEWAN ASSESSMENT MANAGEMENT AGENCY THE AUTHORITY TO DETERMINE THE LEVEL OF BUDGET IT FEELS IS NECESSARY TO PROPERLY DISCHARGE ITS RESPONSIBILITIES.***

***IV-12.2 - THAT THE AGENCY BE REQUIRED, BY STATUTE, TO CONSULT WITH THE PROVINCIAL GOVERNMENT, S.U.M.A., S.A.R.M. AND S.S.T.A. BEFORE IT MAKES A DECISION ON ITS BUDGET LEVEL.***

***IV-12.3 - THAT THE AGENCY BE FINANCED BY A GRANT FROM THE PROVINCIAL GOVERNMENT AND A COMMON LEVY IN EQUALIZED MILLS ON EACH MUNICIPALITY AND SCHOOL DIVISION.***

***IV-12.4 - THAT THE PROVINCIAL GOVERNMENT CONTINUE TO PAY AT LEAST AS MUCH TOWARD ASSESSMENT AS IT NOW DOES AND THAT THE PROVINCIAL GRANT NOT FALL BELOW 50% OF THE AGENCY'S BUDGET.***

***IV-12.5 - THAT THE BOARD OF DIRECTORS OF THE AGENCY BE GIVEN THE AUTHORITY TO ADJUST THE LEVY ON THOSE LOCAL GOVERNMENTS WHERE ALL OR PART OF THE APPRAISALS ARE CONDUCTED BY MUNICIPAL EMPLOYEES.***

- **Advisory Committees**

Assessment is a complex area and it will be a challenge for any board of directors to develop sufficient knowledge upon which to base sound policy decisions. To assist in ensuring that there is the greatest possible opportunity for making available as much knowledge and expertise as possible to the board of directors, the Commission recommends the establishment of a number of ongoing advisory committees.

The advisory committees could be selected to concentrate on particular areas of assessments. For example, an advisory committee on rural assessments might be established, with its membership possibly comprised of the two rural municipal representatives on the board of directors, two representatives of the Department of Rural Development, two elected rural municipal councillors and two rural municipal administrators. A similar advisory committee could be established for urban assessment.From time to time it may be desirable to form ad hoc advisory committees on specific aspects of assessment such as improvements in rural municipalities or business assessment in urban municipalities.

The number of advisory committees, their terms of reference and their membership should be left to the board of directors to decide in consultation with the provincial government and the local government organizations.

Staff of the research and policy unit of the Agency should be made available to the advisory committees to provide information, analysis and secretarial functions as necessary.

***IV-13 - THE COMMISSION RECOMMENDS THAT WHILE IT IS IMPORTANT TO HAVE ONE BOARD OF DIRECTORS WITH DECISION-MAKING POWERS ON ALL ASPECTS OF ASSESSMENT, THE GOVERNING LEGISLATION REQUIRE THE BOARD OF DIRECTORS TO ESTABLISH ADVISORY COMMITTEES.***

- **Consultation**

The board of directors of the Saskatchewan Assessment Management Agency will operate most effectively if it adopts a highly consultative mode of operation. Having a board of directors representing a variety of backgrounds and interests is, in itself, a form of consultation. Although the proposed board of directors is likely to choose a consultative approach, the Commission believes that the legislation governing the Agency should provide a legal basis for such consultation. The Commission proposes that the legislation require the board of directors to consult with the provincial government and local government organizations, and to make itself available for meetings with individual local governments and individual citizens. The frequency of the consultations and how they should be organized should be left to the discretion of the board of directors.

***IV-14 - THE COMMISSION RECOMMENDS THAT THE GOVERNING LEGISLATION INCLUDE PROVISIONS REQUIRING THE BOARD OF DIRECTORS TO UNDERTAKE CONSULTATIONS.***

- **Saskatoon and Regina**

  It has been suggested that because Saskatoon and Regina comprise one third of Saskatchewan's population, legislation should provide for specific representation of those cities on the board of directors.

  The Commission is of the opinion that the responsibility for ensuring proper representation for these larger cities should rest with the Saskatchewan Urban Municipalities Association which, under the Commission's recommended structure, would have the authority to select two of the eight board members. The Commission also notes that there are various ways for the larger cities, or any other local governments which have what they consider to be unique or special problems, to contribute to the decisions of the board of directors besides having membership on the board of the directors. Advisory committees, special meetings between the board and specific local governments, viewpoints expressed through the municipal organizations, or other forms of ad hoc or ongoing liaison are available.

## 4. ALTERNATIVE STRUCTURES

There are numerous options for a governance structure for assessments. Some of the variables that can be used in identifying different structures are:

- a board with only advisory powers as opposed to a board of directors with full governing power;
- various combinations of representation on the board;
- a unified structure versus one in which the policy and administration is divided into separate rural and urban components; and
- responsibility for both policy and administration of ongoing assessments could be vested in a single agency or it could be split.

There is practically no end to the options that could be identified for governance structures. However, the Commission will limit its discussion to four.

**Same as Propoeed Structure Except Greater Provincial Representation**

One structure considered at length by the Commission is a board of directors which would have the same duties and powers as set out in the proposal above, but which would have greater provincial government representation. Specifically, the Commission considered a seven-member board of directors consisting of one representative each from S.U.M.A., S.A.R.M. and S.S.T.A., three representatives of the provincial government and a chairman selected either by the provincial government or by the six representatives.

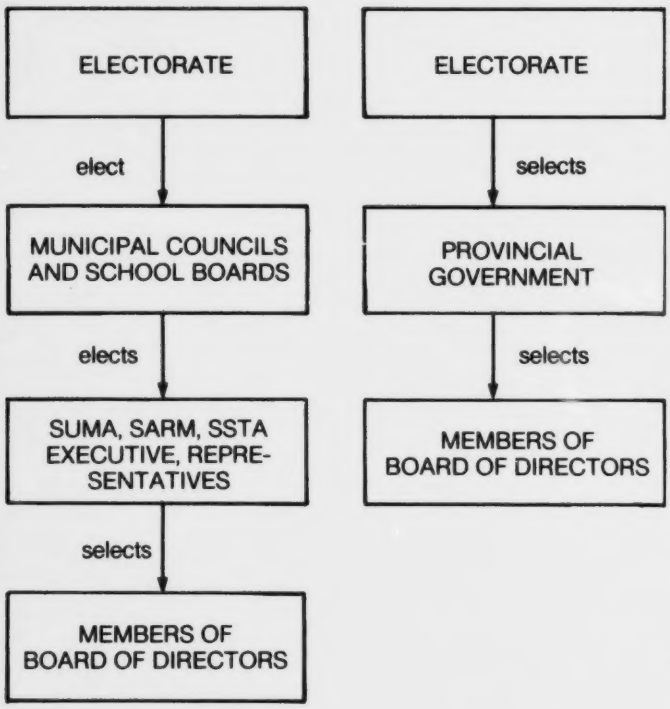
Two main arguments that are used for equality of membership between provincial government and other representatives are:

1) Some believe that the provincial government will ultimately be held accountable for how well any new structure functions, and that accordingly it should either have ultimate control or a major voice on the board of directors. They would argue that it is unfair for the provincial government to be held accountable for the assessment function as though it had full authority or control if in fact it does not have that control or authority. In other words, it could be argued that there would be a better balance between accountability and control if the Province had at least equal representation on the board of directors.

2) Some have a concern about what they would call only "indirect accountability" on the part of the representatives of the provincial organizations on the board of directors. They point out that the electorate elects local governments, local government officials in turn elect the executive of their provincial organizations (S.U.M.A., S.A.R.M. and S.S.T.A), and the provincial organizations, in turn, select their representatives on the board of directors. If individual citizens are concerned about the performance of the board of directors, or "their" representative on the board of directors, there is no one who has direct responsibility for the appointment of that member to whom they can apply the "ultimate remedy". The "ultimate remedy" would be to vote the appropriate person out of office. There would appear to be little point in electors voting their reeve, mayor or school board out of office because of the performance of the board of directors because that reeve, mayor or school board was not directly responsible for the selection of that board of directors.

   On the other hand, when the provincial government appoints members to the board of directors, a disgruntled electorate is able to hold the provincial government electorally responsible for the performance of the board of directors.

The line of accountability may be depicted graphically as follows:




In both cases, the board of directors is only indirectly accountable to the electorate but, in one case, the accountability is more indirect than in the other.

Although the Commission acknowledges the foregoing points of view, it has opted nevertheless for a board of directors with a balance of control in the hands of the local government representatives for the following reasons:

- The control of the function would rest with those for whom the performance of the function is a high priority. This consideration, in the view of the Commission, outweighs all others.
- The provincial government does have an ultimate form of control because, through the Legislative Assembly, it can change legislation providing for different structures if necessary.

  The Commission recognizes, however, that it may be the performance of the board, not the structure, which may be the cause of concern.
- Formal electoral accountability is only one way in which performance is evaluated and actions are taken to correct performance when necessary. The representative nature of the board of directors and the legislative requirement for consultation will ensure that there is sensitivity to performance of the function.
- Municipal councils and school divisions as corporate entities have an interest in the performance of the assessment function and this interest is in addition to the interests of the individual elector. It is appropriate, therefore, for these corporate entities to have the ability to hold the board of directors indirectly accountable through their provincial organizations.

**Responsibility for Assessments Split Between the Department of Rural Development and the Department of Urban Affairs**

Rural representatives suggested that rural and urban municipal assessments should be the responsibility of the Department of Rural Development and the Department of Urban Affairs, respectively. A committee of representatives of rural municipalities and the Department of Rural Development would identify assessment problems and issues and make recommendations to the Minister of Rural Development who would have ultimate authority and responsibility for approval of rural assessment manuals and the ongoing administration of the rural assessment function.In addition to performing appraisals of property and businesses, the field staff of the Department of Rural Development would also work with rural municipal councils in the identification of assessment issues and concerns to ensure that they would be addressed. Similar arrangements would be made in regard to urban assessment.

Rural representatives have made the following comments about the proposal:

- It is based on the premise that only municipal services would be financed from the property tax and that, consequently, there would be no need to have compatible rural and urban assessment systems nor would there be a need for equalizing assessments between urban and rural municipalites. Rural and urban assessment systems could be operated independently from one another.
- Ultimate responsibility for the assessment function would clearly be vested in the Minister of Rural Development and the Minister of Urban Affairs for rural and urban assessments respectively. It would remove the uncertainty and confusion that currently exists in regard to where the authority for various policies and practices rests.
- Vesting the authority for assessments with two ministers would ensure a political accountability for the function. An independent board would either have less political accountability or the accountability would be less direct. In other words, rural representatives felt that it would be possible to

bring pressure to bear on a minister that might not be possible to exert on an independent board, whenever such pressures were necessary to bring about different policies or practices.

- Having separate administrations for urban and rural assessment would make it possible for the separate departments and advisory bodies to concentrate their attention on respective urban and rural issues, and not be overwhelmed by the complexities of dealing with both urban and rural issues.
- Rural representatives have confidence in their working relationships with the Department of Rural Development and their ability to address jointly problems and issues in a positive problem-solving atmosphere.
- Rural representatives, or those responsible for rural programming, would be able to have either the determining voice or major input into formulating rural assessment policies and practices without concern about the possibility that those who have different interests might outweigh the rural representatives.

A number of arguments have been made against separate administration of rural and urban assessments:

- There would be duplication and additional costs in a number of areas including research and policy development, administrative capacity and expertise, and programming and management of computer applications.
- Rural appraisers are unable to do land inspections in the winter months so they are currently assigned to do urban appraisals at that time. This would be impractical with separate rural and urban administrations.
- There are properties located in rural municipalities which are assessed in accordance with the urban manual, meaning that the rural assessment staff would have to maintain expertise in urban assessments. The same would be true for agricultural properties located within urban municipalities.

The Commission believes these are not compelling reasons for rejecting separate rural and urban administrations of the assessment function, if there are other significant reasons why that approach would be desirable. In any event, adjustments could be made to minimize the problems. For example, rural appraisers could possibly use the winter months studying and organizing aerial photographs, soils maps and consulting with municipal councillors and individual property owners, all as preparation for the actual physical inspection to be done in summer months.

If the provincial government decided to make changes in the funding of local governments such that municipalities were the exclusive users of the property tax base, the foregoing proposal for separate government of urban and rural assessments would be worthy of serious consideration. If, on the other hand, both school divisions and municipalities continue to utilize the property tax, compatibility between rural and urban assessments will be required, and a more integrated structure will be necessary. Even if the provincial government were to decide to move to an alternative method of financing local government over a period of years such that schools, hospitals and libraries would ultimately not be using the property tax, a governance structure ensuring rural/urban compatibility of assessment would be required in the intervening time period.

**Separate Administrations and Advisory Committees with a Co-ordinating Board**

Rural representatives have suggested that if the provincial government should decide to continue to permit local governments other than municipalities to have access to the property tax, a structure similar to that which was outlined above, but with some differences, could be utilized.

The main features of the suggestion are:

- The Departments of Urban Affairs and Rural Development would have responsibility for carrying out the appraisal of urban and rural properties respectively.
- Each department would continue to have an advisory committee which would analyze and make recommendations on policies and practices.
- Approval of the assessment manuals would rest with a single board with responsibility for reviewing both rural and urban assessment policy. This board would essentially be responsible for developing assessment manuals after consulting with the advisory committees, and calculating equalized assessments. The board would not have jurisdiction over the actual implementation of the manuals.

The main advantage rural representatives see in this option is that the ongoing assessment work would be undertaken by the Department of Rural Development with which rural representatives have developed good working relationships over the years. They feel that they would have a forum for raising policy issues and concerns, a structure for recommending policy, and a mechanism for ensuring that appraisals are carried out properly.

The Commission believes there are four main weaknesses with having policy control vested with an independent board while administration is in the hands of two separate departments of government:

- It would tend to promote a continuation of the present confusion regarding where the responsibility rests for various decisions. The Ministers of Urban Affairs and Rural Development would have responsibility for administration of assessment policy, but the determination of policy would be in the hands of the co-ordinating board. Confusion over responsibility leads to a lessening of accountability or misplaced accountability.
- Although some matters are clearly policy and others are clearly administration, other matters are not as clearly defined and this is likely to lead to disputes over where the responsibility for such matters rests.
- The separation of policy and administration is a highly questionable practice. Those who established policy should have the responsibility for developing policies which are capable of being implemented effectively. Those who are responsible for implementation should have a sense of "ownership" in regard to the policies and a commitment to making them work. Neither would be promoted or assured under a divided structure. The board responsible for policy could "pass the buck" regarding problem areas by taking the stand that certain difficulties result from the way in which the policy is administered, not with the policy itself. Those responsible for implementation and ongoing administration could evade responsibility for administrative problems by casting the blame on the nature of the policy decisions.
- The level of resources allocated to the assessment function would continue to rest with the provincial government. The Commission is of the opinion that a series of provincial governments have given insufficient resources and insufficient policy attention to the assessment function, probably because it is not a priority in relation to other provincial government responsibilities.

**Same as Proposed Structure Except that Municipalities Would be Responsible for Conducting the Appraisals**

The various options for structuring the governance of the assessment function that have been identified thus far all specify that either provincial employees or the staff of the proposed new Assessment Management Agency would conduct the actual appraisals of property. The appraisers would be responsible or accountable directly to their employer which would be either the Province or the proposed independent Management Agency, and they would be only indirectly accountable to municipalities, school divisions and the general public.

Rather than maintaining this indirect responsibility for appraisals, it has been suggested that the responsibility for appraising property should rest with individual municipalities.Municipalities would be able to choose how they would fulfil this responsibility by either hiring their own appraisers, co-operating with neighbouring municipalities in hiring or contracting with private appraisers on a joint basis, or contracting directly with private appraisers. In this way, individual municipalities would be more directly responsible for the conduct of on going assessments and reassessments within their boundaries.

Under this proposal, the proposed Management Agency or the alternative governing structures would still be responsible for scheduling general reassessments within the municipality and for providing sufficient advance notice to the council. It would then be the municipality's responsibility to arrange for the appraisals to be done.

Appraisals would be done in accordance with the manual and the procedures specified by the governing body, similar to the current arrangements between the four largest cities and the Saskatchewan Assessment Authority. The accuracy of field work would be checked by the Management Agency or other governing body by means of a computerized audit program. The individual municipal council would be responsible for ensuring that proper inspection procedures were followed. Under this proposal, the Assessment Management Agency would not require any appraisers to do field work, although a small number of appraisers would be required to co-ordinate and audit the work done by municipal or private appraisers.

Although this proposal would make appraisers directly responsible to municipalities and thereby improve local accountability for appraisal work, the Commission believes the proposal should not be adopted for the following reasons:

- Responsibility for appraising property and business would be placed outside the proposed governance structure and this would tend to confuse the notion of responsibility for assessment and weaken the control of all aspects of the assessment function.
- It will be more difficult to ensure the consistency of field inspections and procedures if all municipalities hire their own or contract for appraisers.
- Even though the new assessment agency would specify when the reassessment were to be done, a municipality might decide not to undertake the work or it might be unable to complete the work on schedule. The delay in completing the reassessment could have serious implications on the distribution of taxes and on the equalization of assessments.

- Municipalities would have to pay for the cost of the assessment work done at the time it was done, rather than paying an annual levy to the Management Agency.
- As noted in the earlier discussions, the separation of the responsibility for establishing assessment policy and implementing that policy is a highly questionable practice.

In short, the Commission believes that there would be merit in having a single board with clear and indisputable authority and responsibility for all aspects of the assessment function.

- A local appeal process provides for accessibility, an important principle.

The Commission considered the possibility of substituting a regional appeal process for the local appeal process. The objective would be to permit the establishment of boards of revision with personnel with greater experience and expertise than may be possible at the individual municipal level. However, the Commission believes that whatever may be gained in additional expertise would be more than offset by the loss of the advantages associated with a local appeal.

The Commission believes that a provincial appeal body is also required to provide a further avenue of appeal to an unbiased body in the event that an appellant is of the opinion that his appeal was not dealt with adequately or fairly at the local level. A provincial appeal body should have expertise for dealing with the more complex situations. By having province-wide jurisdiction, a provincial appeal body would also be in a position to ensure consistency across the province through its decisions.

The Commission also believes that the right to appeal to the Court of Appeal on a question of law should be retained.

## 5. ASSESSMENT APPEAL PROCESSES AND STRUCTURES

The Commission gave consideration to the adequacy of the present two-level appeal process under which property owners may first appeal their assessment to a local court or board of revision and then to the Saskatchewan Assessment Appeal Board.While the Commission recommends changes to both the local and provincial appeal processes, it believes that the present two-tiered appeal process is desirable.

The Commission sees considerable advantage to the existence of a local appeal:

- It provides a forum in which local officials can become familiar with assessment issues and concerns. This is appropriate considering the nature of local responsibilities for assessment and taxation.
- Local officials are most familiar with local circumstances, thereby helping to ensure a fair hearing for appellants.
- Many appeals are actually expressions of concern about the level of taxation rather than concerns about the appropriateness of the valuation of the appellant's property relative to other property. An inexpensive local process can respond to such appeals thereby preventing the incurrence of expense and unproductive use of time that would otherwise occur if such appeals had to be heard at a higher level.

***IV-15 - THE COMMISSION RECOMMENDS THAT BOTH A LOCAL AND A PROVINCIAL APPEAL PROCESS BE RETAINED FOR THOSE WHO WISH TO APPEAL THE ASSESSMENT OF THEIR PROPERTY OR BUSINESS, AND THAT THE RIGHT OF APPEAL TO THE COURT OF APPEAL ON A MATTER OF LAW ALSO BE RETAINED.***

### A. Local Appeal Process

There is considerable merit in arrangements under which school divisions can exercise their interest and their share of the responsibility in ensuring the operation of a fair and equitable system of property assessments. Participation in boards of revision would provide school divisions with an opportunity to become more familiar with assessment problems and issues, to participate in decisions affecting their local tax base, and to share appropriately in the accountability for those decisions.

In cities where there are essentially coterminous municipal and school division boundaries, arranging for school board representation on the board of revision would not be difficult. In rural school divisions originally organized under *The Larger School Units Act,* there are an average of 13 rural municipalities, towns and villages, and it would be logistically impractical to require a member of the

school division board to be on each of those 13 boards of revision. An option would be to enable school division boards to delegate the responsibility for participation on the boards of revision to the board of trustees of the various school districts located within the school division. However, in view of the fact that boards of trustees have only advisory duties and do not have fiscal responsibilities, the Commission believes that it would be inappropriate for legislation to require that they be represented on boards of revision.

The Commission believes that there is merit in the provisions of *The Urban Municipality Act* which permit persons other than members of the municipal council to be members of the board of revision, and which places the discretion and responsibility for the selection and the numbers of non-council members in the hands of the municipal council. It is a means of broadening community understanding of assessments and improving public confidence in the system.

The Commission also notes that *The Urban Municipality Act* uses the term "board of revision" rather than "court of revision". The Commission believes that "board of revision" more accurately reflects the nature of the board and is likely to be less intimidating to potential appellants.

***IV-I6 - IN REGARD TO THE ASSESSMENT APPEAL PROCESS AT THE LOCAL LEVEL, THE COMMISSION RECOMMENDS:***

***IV-I6.1 - THAT LEGISLATION FOR RURAL AND NORTHERN MUNICIPALITIES BE AMENDED TO PERMIT COUNCILS TO APPOINT PERSONS OTHER THAN MUNICIPAL COUNCILLORS TO BE MEMBERS OF THE BOARD OF REVISION AND THAT COUNCILS BE ENCOURAGED TO APPOINT A SCHOOL BOARD MEMBER TO THE BOARD OF REVISION.***

***IV-I6.2 - THAT LEGISLATION FOR RURAL AND NORTHERN MUNICIPALITIES BE AMENDED TO SUBSTITUTE THE TERM "BOARD OF REVISION" FOR "COURT OF REVISION".***

**B. Provincial Appeal Process**

The Commission has heard no concerns regarding the integrity or fairness of the existing provincial appeal mechanism. However, the Commission does have other concerns regarding the promptness with which appeals are handled, the small number of members of the appeal board which attend many of the hearings, the consistency in decisions, the perceived responsibilities placed on the secretary of the board, and the lack of attractiveness of membership on the appeal board to persons other than retirees.*

* See "Fair Appeal Process", p. 31.

There also appears to be minimal liaison between the appeal board and the Saskatchewan Assessment Authority. While it is understandable that a certain degree of "arms length" relationship must exist, there should also be sufficient contact between the appeal body and the body responsible for assessment policy and administration to ensure that the latter is aware of problems and issues identified through the appeal process. In this way, consideration can be given to the need for corrective appraisal practices or policy.

The Commission believes that it is inappropriate for an appeal board to make decisions on appeals which are contrary to assessment policy established by the Saskatchewan Assessment Management Agency. The function of the appeal body is to ensure that assessment policies contained in the authorized manuals have been fairly and properly applied in the appraisal of individual properties and to order an appropriate revision if those policies have not been properly applied.

The Commission also believes, however, that the appeal board should identify assessment policies and practices which, as a result of information obtained through the hearing of an appeal, the appeal board believes to be inequitable. These inequities should be drawn to the attention of the Management Agency so that it has the opportunity to consider making changes in the policy or policies concerned. In this way, there will be an opportunity to correct or prevent similar inequities arising elsewhere as a result of that same policy.

Policy changes sometimes take time to review and implement. Accordingly, the appeal board should advise the municipality in which the appellant's property is located of its views about the policy so that the municipality can consider granting an abatement of taxes. In this way, the appellant is not left without short-term recourse.

The Commission also favours the current practice of the appeal board to provide a written explanation of the decision and the rationale behind it. Copies of these written decisions should be provided to the municipality, the appellant, and to the Saskatchewan Assessment Management Agency. In this way, the Agency will be in a better position to monitor and correct problem areas more readily.

The Commission discussed at great length whether there was a conflict between two desirable objectives for the appeal process:

1) The desirability of having the appeal body under the direction of the Saskatchewan Assessment Management Agency in order to give the board of directors of the Agency full responsibility for all aspects of assessment.
2) The desirability of having an assessment appeal body which is "at arms length" from those who do the initial assessing and which, therefore, is perceived as being independent and fair.

A well-functioning provincial appeal process is a critical part of an assessment function. By having the S.A.M.A. responsible for the appeal processes and procedures, the budget the appeal board must work with, the criteria they use in their work, the nature of the reporting they do to the board of directors, determining the qualifications and experience required to be a member of the appeal board, and the actual appointment of the members of the appeal body, the board of directors would have full responsibility and authority for all of the vital components of the assessment function. The board of directors would be able to take corrective action if the appeal process were not working properly.

The question is whether or not an appeal board appointed by the board of directors and which reports to the board of directors is sufficiently "at arms length" from those who do the initial appraisals. The Commission concluded that as long as the appeal board is not under the control or direction of the general manager or any other staff of the Agency, the relationship is sufficiently "at arms length." In any event it would be equally "at arms length" in comparison with the present arrangements under which the Minister in charge of the Saskatchewan Assessment Authority is also the minister who appoints the Saskatchewan Assessment Appeal Board and to whom that board reports.

***IV-17 - THE COMMISSION RECOMMENDS THAT THE BOARD OF DIRECTORS OF THE S.A.M.A. BE GIVEN FULL RESPONSIBILITY FOR ALL ASPECTS OF THE ASSESSMENT FUNCTION INCLUDING THE DETERMINATION OF PROCEDURES AND PROCESSES USED IN PROVINCIAL ASSESSMENT APPEALS, THE QUALIFICATIONS OF MEMBERS OF THE APPEAL BOARD, AND THE APPOINTMENT OF THE APPEAL BOARD.***

***IV-18 - THE COMMISSION RECOMMENDS THAT GOVERNING LEGISLATION MAKE IT CLEAR THAT THE APPEAL BODY, WHETHER IT BE THE LOCAL BOARD OF REVISION OR THE PROVINCIAL APPEAL BOARD, HAS THE AUTHORITY TO ORDER A REVISION IN THE ASSESSMENT OF A PROPERTY ONLY IF THE AUTHORIZED ASSESSMENT MANUAL HAS BEEN APPLIED IMPROPERLY.***

***THE COMMISSION FURTHER RECOMMENDS THAT IN SITUATIONS WHERE THE ASSESSMENT HAS BEEN PROPERLY CARRIED OUT IN ACCORDANCE WITH THE MANUAL BUT WHERE THE APPEAL BODY BELIEVES THAT THIS BRINGS ABOUT AN INEQUITY, THE LEGISLATION REQUIRE THE APPEAL BODY TO DIRECT ITS CONCERN TO THE BOARD OF DIRECTORS OF S.A.M.A. FOR CONSIDERATION OF POSSIBLE ADJUSTMENTS TO THE MANUAL AND TO THE MUNICIPALITY FOR CONSIDERATION OF A POSSIBLE ABATEMENT OF TAXES.***

***IV-19 - THE COMMISSION RECOMMENDS THAT THE PROVINCIAL APPEAL BOARD BE FINANCED IN THE SAME WAY AS THE S.A.M.A., AND THAT IT BE PART OF THE S.A.M.A. BUDGET.***

## 6. TIMING

A number of important issues in assessment policy and practice need to be addressed. The Commission makes recommendations on a number of them in this report, and has initiated research studies on a number of others.

The Commission believes that the appropriate body to consider these issues and recommendations is the proposed Saskatchewan Assessment Management Agency. Accordingly, the Commission believes that the most important step to be taken is the prompt establishment of this agency. The Commission has prepared draft legislation to assist the Government of Saskatchewan in implementing the proposed structure should it decide to proceed.

***IV-20 - THE COMMISSION RECOMMENDS THAT THE FIRST ORDER OF PRIORITY BE GIVEN TO THE PASSING OF THE LEGISLATION REQUIRED TO ESTABLISH THE SASKATCHEWAN ASSESSMENT MANAGEMENT AGENCY.***

## 7. MERITS OF RECOMMENDED STRUCTURE

The main features and merits of the recommended governance structures for the assessment function are:

- The authority and responsibility for ensuring the effective operation of the major components of the assessment system, including policy development, assessment of properties, and appeals, will be clearly and unmistakably vested with a single governing body, the board of directors of the Saskatchewan Assessment Management Agency.
- Local governments using the property tax in a major way, will be active participants in formulating assessment policies and practices.
- Local government representatives will have the majority of positions on the board of directors. Because a well-functioning assessment system plays such a vital part in local government finance, these representatives will have a strong motivation to give priority to developing sound and effective assessment policies and practices, allocating sufficient resources to permit thorough and timely valuation of properties and businesses, and ensuring the operation of a fair appeal mechanism.

- By virtue of its authority to levy local governments to supplement provincial funding, the board of directors will be able to decide upon the level of resources required to operate effectively the assessment system and to ensure that those resources are available.
- Legislation will differentiate clearly the roles and responsibilities of the provincial government, the board of directors of the Saskatchewan Assessment Management Agency, the general manager of the S.A.M.A., and the Saskatchewan Assessment Appeal Board. A clearly defined management structure will be a major improvement in relation to the present situation.
- By vesting responsibility for the provincial appeal process with the board of directors, and by having a clear definition of the types of decisions the appeal board is able to make, appeal board decisions that are in conflict with basic assessment policy will be avoided and channels for bringing problems and issues identified during the appeal process to the attention of the board of directors for action will be clearly defined.
- Because of the representation of their parent organizations on the board of directors, individual local governments will have a sense of sharing in the responsibility for ensuring a well-functioning assessment system. They will be able to raise problems and make recommendations for changes to the assessment system either through their parent organizations or by direct representation to the board of directors of the S.A.M.A. They can choose the route they will take with full knowledge that it is the board of directors which has ultimate responsibility for the major components of the assessment system.
- By broadening the input into policy and operations of the assessment system, greater knowledge and familiarity with the assessment system will be promoted among local governments and in the Province as a whole.
- Through a system of advisory committees it will be possible to assemble specialized knowledge and expertise on particular components of assessment policies and practices.

# CHAPTER V
## PROCEDURES AND PROCESSES

In the previous chapter, the Commission analyzed a number of possible governing structures for the assessment function and expressed its recommendations in this regard. In this chapter the Commission provides its analysis of some of the more important processes and procedures which it believes the governing body should utilize. Some of the processes and procedures were referred to in the previous chapter, but are repeated here for the purpose of providing a complete "package".

### I. RESPONSIBILITY FOR POLICY DECISIONS

Currently there is much confusion as to where the responsibility rests for making the important policy decisions that need to be made in regard to the assessment function. Some policy decisions have been made inappropriately by administrators rather than by a senior policy-making body accountable either directly or indirectly to the public. Both of these situations require correction. (See Recommendations IV-2 and IV-I0).

### 2. CONSULTATIONS WITH LOCAL GOVERNMENTS

The Commission has concluded that it is important to broaden the participation in the processes of identifying problems and issues, analyzing options for dealing with these problems and issues, and in arriving at sound ways of implementing those decisions. In this way a maximum in expertise will be brought to bear in addressing issues and there will be greater understanding and support and acceptance of the assessment system. (See Recommendations IV-13 and IV-I4).

### 3. ADEQUACY OF RESEARCH

In the past, policy decisions were made and updated cost and sales information were incorporated in manuals without the benefit of detailed or rigorous analytical studies to evaluate the impact of the proposed changes. For example, the valuation of resort land values was based on only a cursory study of resort properties in a few areas. Another example is the decrease in the percentage of appraised value of improvements from 60% to 50% which had the effect of increasing the emphasis on land in the assessment of individual properties. Without evaluating the impact of such proposals or decisions on selected properties, municipalities, or even on a province-wide basis, there is a risk of unexpected and unintentional shifts in tax incidence. Without good research it is very difficult to make even minor adjustments to the assessment system in order to resolve smaller issues or problems. The fact that assessment is regarded as a complex and technical subject matter is simply more reason for increased priority and attention to research and policy analysis.

Part of the reason only limited research has been undertaken is the lack of means to compile and analyze a tremendous amount of data. There are numerous categories of properties from single storey residential to complex commercial properties to different soil classifications of farmland in over 800 diverse municipalities, totalling approximately one million properties.Accessing the data, selecting sample properties to evaluate, and analyzing the results of possible policy changes on a manual basis is a difficult and time-consuming exercise. The introduction of the new computer system containing data from all municipalities will provide a better opportunity to undertake the required research studies more efficiently and thoroughly.

***V-I - THE COMMISSION RECOMMENDS THAT ADEQUATE RESEARCH AND POLICY ANALYSIS BE DONE BEFORE ANY REASSESSMENTS ARE UNDERTAKEN SO THAT THE VARIOUS SHIFTS IN THE TAX BURDEN ARISING FROM DIFFERENT POLICY OPTIONS ARE KNOWN AND CAN BE EXPLICITLY DECIDED UPON.***

### 4. TIMELINESS OF REASSESSMENT

There has been a widespread concern expressed about the length of time between general reassessments. Long intervals between general reassessments have resulted in large shifts in tax burdens within a municipality and large tax increases for some property owners. Large and unexpected shifts in the local tax burden can generate anxiety and a lack of confidence in the assessed values and property taxes payable and about the equity with which the appraisals have been done. For example, it

may be necessary for a small businessman in a central area of a growing city to consider relocating to an area of the city where land values, rents and property taxes are not so high. If assessments are maintained regularly and the businessman is aware of the trends in assessment he will be in a position to plan ahead and make decisions in a way which minimizes any losses involved. On the other hand, a large and unexpected increase in assessment may force a businessman to relocate quickly and he may not have sufficient lead time to select an alternative location or to dispose of his property at his old location.

The local assessor must identify all properties to which changes have occurred and which necessitate a revised or new assessed value. There also needs to be an adequate number of qualified appraisers to respond reasonably promptly to these annual maintenance requests.

The Commission believes that mechanisms need to be in place to prevent sudden and large increases in individual property assessments that are disproportionate to the average increases.

***V-2 - IN ORDER TO HELP ENSURE THAT THESE LARGE AND POTENTIALLY DISRUPTIVE SHIFTS IN TAX BURDENS DO NOT TAKE PLACE, THE COMMISSION RECOMMENDS:***

***V-2.1 - THAT REASSESSMENTS BE DONE MORE FREQUENTLY THAN IN THE PAST. A 5 TO 7 YEAR CYCLE OF REASSESSMENTS WOULD BE MORE REASONABLE THAN THE CURRENT 10 YEAR REQUIREMENT.***

***V-2.2 - THAT PROVISION BE MADE TO PERMIT MUNICIPALITIES TO DECIDE, IN CONSULTATION WITH SCHOOL DIVISIONS, TO PHASE IN ASSESSMENT VALUES THAT HAVE INCREASED BY LARGE AMOUNTS DUE TO A GENERAL REASSESSMENT.***

***V-2.3 - THAT BETWEEN GENERAL REASSESSMENTS, THERE BE PERIODIC ADJUSTMENTS IN RELATIVE ASSESSED LAND VALUES WHERE SUBSTANTIAL SHIFTS IN LAND USE AND VALUES ARE TAKING PLACE, DUE TO THE PATTERN OF COMMERCIAL AND RESIDENTIAL DEVELOPMENT.***

***V-2.4 - THAT "PICK-UPS" OR ASSESSMENT MAINTENANCE BE DONE DILIGENTLY BETWEEN GENERAL REASSESSMENTS.***

## 5. THOROUGHNESS OF INSPECTIONS

Since the manuals specify that values are to be determined on the basis of various physical aspects of the property, in order to properly appraise the property, it is necessary to perform an inspection.

A frequently heard criticism of the current reassessment activity is that the appraiser did not inspect the interior of a significant proportion of the buildings in a community or that the appraiser did not get out of his vehicle to value a quarter section of rural farmland. Obviously these procedures generate a degree of apprehension about the competency and professionalism of appraisers, or those who assign their work, and mistrust in the equity of the assessment system. This criticism has arisen in the last few years as the Assessment Authority has accelerated its activity in order to complete the current round of reassessment.*

Changes in the physical characteristics of property such as improvements to a house or additional acres of farmland cleared for cultivation, affect or should affect its assessed value, and it is important that such changes be reflected in the appraisal. If such changes in the physical characteristics of the property are not taken into account in appraisal, the equity of the assessment system is impaired accordingly.

***V-3 - THE COMMISSION RECOMMENDS THAT SUFFICIENT STAFF BE EMPLOYED SO THAT REASSESSMENTS CAN BE DONE THOROUGHLY AND THAT WHEREVER POSSIBLE, THIS INCLUDE A PHYSICAL INSPECTION OF THE INTERIOR AND EXTERIOR OF INDIVIDUAL BUILDINGS AND AN ON-SITE INSPECTION OF FARMLAND.***

***V-4 - THE COMMISSION ALSO RECOMMENDS THAT FOR FARMLAND THE APPRAISER DISCUSS THE LAND WITH THE FARMER WHEN POSSIBLE TO HELP ENSURE THAT ALL OF THE RELEVANT CHARACTERISTICS OF THE LAND ARE PROPERLY IDENTIFIED.***

## 6. NEXT ROUND OF GENERAL REASSESSMENTS

The Commission has concluded that the next general reassessment should be postponed because:

- There has been insufficient policy research and analysis upon which to base the development of the new assessment manuals. The implications of various changes to the current manuals need to be thoroughly analyzed before reassessment begins.

* The Commission has learned, for example, that rural appraisers will be required to assess 23 quarter sections of land each day in order for the assessment to be completed by the end of 1985. The Commission is concerned about the ability of an appraiser to do his work thoroughly while working at that pace.See Appendix 7 outlining the rate at which reassessments have been completed in each of the years since the program was initiated.

- Additional staff need to be employed and trained before reassessment begins to ensure that the appraisals of individual properties are done thoroughly and to ensure that the entire process is completed within a reasonable period of time.
- New assessment policies and procedures should be developed on the basis of extensive consultations with the local government organizations. A 1986 commencement date for reassessments would not provide sufficient time for adequate consultation.
- The Commission has laid the groundwork for some important research studies and the Saskatchewan Assessment Authority has other studies under way. These studies, which may have an important bearing on the nature of the manuals which should be developed, need to be completed.
- The Commission has proposed a new governance structure for the assessment function. This structure should be put in place and the individuals involved should be given time to familiarize themselves with it and make the important decisions on the policies, problems and issues that need to be addressed.

A distinction should be made between selective reassessments and a general reassessment program. Selective reassessments beginning in 1986 may be appropriate for a particular municipality either because the assessment was not done properly previously or because circumstances have changed sufficiently within that municipality that a reassessment is warranted. The Commission believes that such selective reassessments can be done using the current manuals because they could serve to correct, or at least improve, the distribution of assessed values within the municipality. On the other hand, a general reassessment should be delayed because there is little merit in doing a province-wide re-inspection of properties using the current manuals which are known to contain some flaws or shortcomings. It is quite apparent to the Commission that the assessment manuals require major revision before the next general reassessment occurs.

***V-5 - THE COMMISSION RECOMMENDS THAT LEGISLATION BE AMENDED TO PERMIT THE NEXT ROUND OF GENERAL REASSESSMENTS TO COMMENCE AT A TIME TO BE DECIDED UPON BY THE BOARD OF DIRECTORS OF THE SASKATCHEWAN ASSESSMENT MANAGEMENT AGENCY RATHER THAN RETAIN THE COMPULSORY 1986 COMMENCEMENT.***

## 7. ASSESSMENT INFORMATION

Assessment is not widely understood. Public apprehension about assessments and property taxes is normally heightened when a general reassessment is undertaken. When properties are reassessed, the property owners receive only minimal information in the assessment notices that they receive: the assessed value of land, of improvements and the total assessed value, and a notice of the property owner's right to appeal the assessment within a certain time period.

Assessment notices are sent out before the local governments have set their mill rates, so that the property owners do not normally know what the level of taxation will be on their property. Many people who recognize that their assessment has risen in a major way believe that their taxes will rise by the same proportion, not knowing that a reduction in tax rate normally accompanies a reassessment. It is understandable that in such circumstances the property owner can become quite concerned about the fairness of the assessment system.

The Commission believes that property owners should be given information on the nature of property tax system, the assessment and assessment appeal process, and a substantial amount of information on the assessment of his own property. Specifically:

***V-6 - THE COMMISSION RECOMMENDS THAT WHEN A REASSESSMENT IS DONE, PROPERTY OWNERS BE GIVEN INFORMATION ON THE OLD AND NEW APPRAISED VALUES, OLD AND NEW ASSESSED VALUES, THE PERCENTAGE CHANGE FROM OLD TO NEW VALUES, THE AVERAGE PERCENTAGE CHANGE IN VALUE FOR DIFFERENT CATEGORIES OF PROPERTY IN THE MUNICIPALITY, THE AVERAGE OVERALL CHANGE IN ASSESSED VALUES FOR THE MUNICIPALITY, AND A DESCRIPTION OF THE APPEAL MECHANISM AND HOW THE PROPERTY OWNER CAN APPEAL HIS ASSESSMENT.***

## 8. RESOURCE REQUIREMENTS

The fact that the Assessment Authority has been strained in the last few years to complete the current round of reassessments and has adopted some field procedures which have cast some doubt upon the adequacy of the assessment provided, suggests the need for greater efficiency of operation and more resources to do the job at hand. The Commission believes that adequate staffing is required to perform both the on going assessment function and

reassessments. If the reassessment cycle is shortened as recommended by the Commission, then this may require more resources. While the new computer system can assist in updating some values, there will still remain a sizeable amount of field inspection work. The Commission believes that the computer cannot replace field work. However, the Commission is not in a position to propose specific manpower requirements for the new Agency nor is it in a position to propose a specific budget level for the new Agency. Both of these matters would be best handled by the proposed board of directors in consultation with the local government organizations and the provincial government.

***V-7 - THE COMMISSION RECOMMENDS THAT ADEQUATE FINANCIAL AND STAFF RESOURCES BE ALLOCATED TO THE ASSESSMENT FUNCTION IN ORDER TO PROMOTE SOUND POLICY-MAKING AND THE COMPLETION OF MAINTENANCE ASSESSMENTS AND GENERAL REASSESSMENTS WITHIN ACCEPTABLE TIME PERIODS.***

# CHAPTER VI

## VALUATION OF PROPERTY: PRINCIPLES AND PRACTICES

The Commission has concentrated a large portion of its attention on the governance of the assessment function. It is the view of the Commission that the board of directors of the proposed Saskatchewan Assessment Management Agency is the appropriate body to review and make decisions upon a number of the issues and problems facing the assessment system.

The Commission felt, nevertheless, that it had a responsibility to review and make recommendations on as many of the issues as possible, considering the time available for the completion of its mandate and the numerous other important issues which the Commission must address.

## I. AGRICULTURAL LAND

The main criticisms of the current system of rural land assessment as expressed by some individuals and organizations have been as follows:

- In relation to the previous assessed values, the new values placed on the dark-coloured soils, mainly in the park belt, are too high in relation to the lighter coloured soils in the southern, particularly southwestern, areas of the province. Most of those who make this complaint do not dispute that the dark-coloured soils have a greater ability to produce but argue that the cost of production is also higher. As noted above, some research into the costs of production and the feasibility of incorporating more cost of production factors into the assessment manuals is under way.
- In relation to the previous assessed values, light textured (sandy) soils have been assessed too high in relation to heavy (clay) soils. The main concern is that while the light textured soils may produce very well in ideal moisture conditions, they are more drastically affected by shortages of rainfall. Considering the fact that the soil indices were developed on the basis of 20 years of crop yield information one would think that the relative abilities of the different types of land to produce would reflect average long-term, not ideal, moisture conditions and that the proper relationships with productive ability would have been soundly established. However, further work is being done to see what adjustments, if any, should be made in regard to the assessment of light versus heavy textured soils as well as other soil classifications.
- Insufficient attention is given to such factors as the greater variability of soil types, incidence of peat, and incidence of frost in the northern soil zones. It is suggested that the great variations in conditions from parcel to parcel require more detailed physical inspections and that such inspections were inadequate, quite apart from any shortcomings in the assessment manuals.
- Inadequate physical inspections and inconsistent applications of the manual.

Farmland has value because it is able to generate income. It is able to produce income because it is able to produce crops. The long-term average ability of farmland to produce crops, in turn, is largely determined by the type of soil and other physical factors.

***VI-1 - THE COMMISSION HAS CONCLUDED THAT ALTHOUGH SOME PROBLEMS EXIST WITH REGARD TO THE ASSESSMENT OF RURAL AGRICULTURAL LAND, THE BASIC APPROACH OF DIFFERENTIATING AMONG DIFFERENT PARCELS OF LAND IN ACCORDANCE WITH THE PRODUCTIVE ABILITY OF THAT LAND IS FUNDAMENTALLY SOUND.***

Two basic questions need to be answered in evaluating how well the rural assessment system has been designed:

- How well does the system of soil classification and physical factors reflect the ability of the land to produce crops?
- How well do the other factors which enter into the assessment of farmland allow for the cost of producing the crops?

In regard to the first question, the Commission has been impressed by the closeness of the correlations between the productivity index for soils used in the assessment system with the yield for the various soil classifications. As noted earlier, the soil productivity ratings were developed through an analysis of average crop yields over the 1942 to 1961 period for various soil classifications. The Commission was

concerned about the yield data being so out-of-date. A study* is under way to compare more recent yield data for the 1970s with the soil productivity indices which are a basic part of the assessment system.

Even though the soil productivity indices currently in use appear to be soundly-based, the Commission is pleased to note that the Saskatchewan Assessment Authority has been doing further research in this area in an effort to identify required adjustments. Revised soil productivity indices could be used in two ways:

- some adjustments to the assessment of soils might be done as soon as possible prior to a new general province-wide reassessment, and
- the new information could be incorporated into the assessment manuals used in the next round of province-wide reassessments.

***VI-2 - THE COMMISSION RECOMMENDS THAT RESEARCH WHICH IS CURRENTLY UNDER WAY TO DETERMINE WHAT CHANGES NEED TO BE MADE TO THE SOIL INDICES TO MAKE THEM MORE CLOSELY CORRELATE TO ACTUAL YIELDS, SHOULD BE COMPLETED AND REVIEWED BY THE NEW SASKATCHEWAN ASSESSMENT MANAGEMENT AGENCY AND ITS ADVISORY COMMITTEES PRIOR TO DECISIONS BEING MADE ON ADJUSTMENTS TO THE ASSESSMENT MANUALS FOR FARMLAND.***

In regard to the second question, the Commission is very concerned that a substantial number of factors which enter into the cost of production are not taken into account in the current system. The Commission emphasizes that net returns, not gross physical production, provide land with its value and that every effort must be made to reflect varying costs of production among the various soils. Some examples of variations in costs of production which might be reflected in assessments are:

- fertilizer requirements. In order to produce their current yeilds, some soils require more fertilizer than others.
- fuel consumption. Some soils are more loose than others and because of greater or less resistance to agricultural implements and greater or lesser slippage between the soil and the wheels of the power unit, identical farming operations may result in substantial differences in fuel consumption among different soil zones and soil textures.
- number of farming operations. Some soils require a more extensive number of farming operations than others. For example, two summerfallow operations may be sufficient for some soils while other soils may require twice the number of operations. In some areas, preparation of the seed bed, application of fertilizer and seeding may be done all in one operation while in other soils, because of weed problems or other factors, it may require several separate operations. Differences in numbers of farming operations can have a major effect on machinery requirements, fuel consumption and labour costs.
- long-term herbicide or pesticide requirements. Although these requirements vary from year to year, particularly for pesticides, some soils on a long-term basis require more of these chemicals than others.
- size of machinery and economies of scale. The prevalence of sloughs, bluffs of trees, and the shape of fields not only have a direct impact on costs, but they also have an indirect effect by placing limitations on the size of machinery that is practical to use and this, in turn, places limits on the economies that might otherwise be available through larger scale operations.
- grain drying. In some areas the need for grain drying is practically non-existent. In other areas, there is a high frequency of such needs.

The Commission has identified a possible source of data for identifying variations in costs of production or input costs in the various areas.* While it is too early to conclude whether the particular approach being pursued by the Commission can be used with confidence in developing a new assessment manual, it is clear to the Commission that it would be inappropriate to initiate another general reassessment of agricultural land without taking some of these factors into account.

***VI-3 - THE COMMISSION RECOMMENDS THAT THE RESEARCH WHICH IT HAS INITIATED ON VARIATIONS IN INPUT COSTS AMONG VARIOUS SOILS BE COMPLETED AND THE RESULTS CONSIDERED FOR INCLUSION IN THE NEW ASSESSMENT MANUAL FOR FARMLAND PRIOR TO THE COMPLETION OF THAT NEW MANUAL.***

* This is based on a computerized comparison of assessment data to crop yield data obtained from the Saskatchewan Crop Insurance Corporation. The information is assembled in a way which ensures the complete anonymity of individual farmers.

* The Department of Agriculture receives annual statistical returns from grain farmers on expenses and income earned from farming. These returns are grouped by soil zone, size of farm, use of fertilizer, and the length of crop rotation.

The Commission has also initiated a study into correlations between market values and assessed values.* The purposes of this study are two-fold:

- First, the Commission wishes to determine whether market values as reflected by sales information can be used as a means of checking the validity of the assessment manuals or assisting in the development of the manuals.
- Secondly, the Commission wishes to see if market information can be of assistance to the appraiser in the process of determining values for land.

This study was only partially completed at the time this report was written. There are many factors which determine market values, and there may or may not be a significant correlation between market value and assessed value. However, the Commission wishes to pursue every reasonable approach to see which of them hold promise for improving the assessment of agricultural land.

***VI-4 - THE COMMISSION RECOMMENDS THAT THE RESEARCH WHICH IT HAS INITIATED ON THE CORRELATION BETWEEN MARKET VALUES AND ASSESSED VALUES BE COMPLETED BEFORE DECISIONS ARE MADE ON THE NEW ASSESSMENT MANUAL FOR AGRICULTURAL LAND.***

## 2. RURAL IMPROVEMENTS

Current policies and practices pertaining to the assessment of rural improvements were set out in Chapter II. There are numerous opinions on the equity of current practices:

- Whether a residence located in a rural municipality is taxed is dependent on the chief source of income of the person occupying the home. Some agree or disagree with this concept in principle. Others disagree with the concept on the grounds that it places an unfair onus and a practical administrative difficulty on the local council to arrive at judgments on the nature of the income earned by residents of the municipality. Others point out the misunderstandings and hard feelings created in a community when people are affected by a criterion based on income.
- Some argue that agricultural operations such as dairies, feed lots, piggeries or chicken or turkey farms which may have a large investment in improvements but a small investment in land have an unfair tax advantage because of the exemption of those improvements. The critics suggest that a grain farmer may have an overall investment which is no higher but, because his investment is in land rather than improvements, he must pay substantially more in taxes.
- Some suggest that all or certain types of rural improvements should, in principle, be taxed, but that on balance it would be contrary to the public interest to do so because it would discourage new development or continued operation of the enterprises affected (i.e., cattle finishing, dairies, hog farms, chicken or turkey ranches), and that it would be contrary to the objective of promoting economic diversification.
- Some point out that as long as a person owns sufficient amounts of land to go along with the rural residence, the residence is, in effect, exempt from taxation regardless of where the person earns his or her income. They suggest that this unfairly benefits the wealthy person relative to the less wealthy person.
- Some support the current arrangements.

In view of the current controversies, it is apparent that a review of current policies and an examination of options for possible change are required.

One of the problems involved in an analysis of options is that statistical data on the value of various categories of rural improvements are not currently available. Although there is a formal requirement that all properties, including rural improvements, be assessed regardless of whether or not they are exempt from taxation, in practice the exempt properties are largely ignored. This is understandable considering the limited resources available for assessment and the obvious priority for appraising those properties which will actually be subject to taxation.

The Commission has engaged a professional appraiser to determine values for all categories of improvements in a representative sample of townships.* The Saskatchewan Association of Rural Municipalities, the Department of Rural Development, the Department of Agriculture and the Saskatchewan Assessment Authority have all been advised about the study and their advice has been sought in this connection. Once the data have been gathered and the analyses of options has begun, their assistance and advice will be sought again prior to the Commission arriving at its recommendations.

* This study is based on a comparison of 1981 and 1982 sales of farmland as recorded by Revenue Canada, and assessed values for the corresponding quarter sections within different soil zones.

* Included in the seven townships are one of high and one of low productivity soils in each of the black and brown soil zones, one of medium productivity soils in the dark brown soil zone, one in the grey soils, and one with significant rural residential and industrial development.

The Commission is quite cognizant of the fact that if certain improvements that are now exempt were to become taxable, there would be shifts of the tax load within the municipality. Part of the analysis of various options would be to examine the desirability of those shifts. The Commission is also aware that if certain exempt rural improvements were made taxable and no other compensatory changes made, it would increase overall rural municipal assessments relative to urban assessments and there would be a shift in the tax load from taxpayers in urban municipalities to taxpayers in rural municipalities for common services such as education or health which are financed partially from the property tax. One way of preventing such a shift in tax load would be to compensate for any increase in the assessment of improvements with a reduction in the assessment of land. In this way there would still be shifts of the tax load among rural ratepayers, but there would be no overall increase in this tax load relative to urban ratepayers.

In any event, the Commission recognizes that it is a complex subject and considerable study will have to be done before any conclusion can be reached. One of the options that will be considered will be to leave current practices unchanged.

***VI-5 - THE COMMISSION HAS CONCLUDED THAT A REVIEW OF OPTIONS IN CONNECTION WITH THE TAX STATUS OF RURAL IMPROVEMENTS SHOULD BE UNDERTAKEN, INCLUDING THE OPTION OF LEAVING CURRENT POLICIES AND PRACTICES UNCHANGED.***

## 3. URBAN LAND

For the larger cities, market analyses are done in order to determine the value of the best land. Once this has been done, all other land within the city is appraised in relation to the value of that best land.

***VI-6 - THE COMMISSION HAS CONCLUDED THAT THE PRACTICE OF USING A MARKET ANALYSIS TO DETERMINE THE VALUE OF THE BEST LAND IN THE VARIOUS COMMUNITIES AND THEN APPRAISING EACH PARCEL OF LAND WITHIN THE COMMUNITY IN RELATION TO THAT BEST LAND, IS FUNDAMENTALLY SOUND.***

The Commission does, however, have a number of concerns in regard to urban land assessment:

- Market values were used in arriving at land appraisals only in the larger cities. The value assigned to the best land in all other cities, towns and villages was based on the assumption that the size of the community determines land values. Accordingly, a simple sliding scale tied to the population of a community was used.

  Although it would be impractical to do a complete market analysis of every community, both because of the cost involved and the absence of a sufficiently active market from which to arrive at conclusions, the Commission believes that more market analysis of various-sized communities would be desirable and that the information gained in this analysis could be used in arriving at guidelines for appraising properties in communities of various sizes. The Commission has initiated a study into the correlations between market values and assessed values of urban properties. The purposes of this study are similar to those for the study of the correlation between rural market values and assessed values.*

- The present population-based sliding scale used to set the value of the best land in urban communities generates very low land values in small communities. For example, by the time the assigned residential land values for a community of 100 people are adjusted by the "urban land index," the assessed value may be set at about $6 per front foot, compared with values of $150 per front foot for the best land in the largest cities. While such values may indeed be reflective of relative market values, the question arises as to whether such low values bring about equity in taxation. The Commission notes that the Saskatchewan Assessment Authority is examining the possibility of applying a minimum value to urban land equal to the cost of infrastructure services provided by the municipality.
- So called "dormitory communities" should probably have more of a market-based system of land valuation. Because dormitory communities have access to the near-by services in the city next to which it is located, under the current assessment practices, they do not have a deduction in land values for lack of services. However, their "base value" is still determined on a sliding scale tied to the population of the community.

***VI-7 - THE COMMISSION RECOMMENDS THAT RESEARCH BEING DONE BY THE ASSESSMENT AUTHORITY REGARDING THE POSSIBILITY OF USING A MINIMUM VALUE EQUAL TO THE COST OF INFRASTRUCTURE SERVICES PROVIDED BY THE MUNICIPALITY TO DETERMINE LAND VALUES IN SMALL URBAN MUNICIPALITES, BE COMPLETED AND ANALYZED BEFORE INITIATING THE NEXT GENERAL REASSESSMENT.***

---

* See footnote on p. 79.

***VI-8 - THE COMMISSION RECOMMENDS THAT A STUDY BE DONE ON THE POSSIBILITY OF USING PROXIMITY TO LARGER COMMUNITIES AND THE DEGREE OF GROWTH OR DECLINE OF THE COMMUNITY AS MAJOR FACTORS DETERMINING LAND VALUES IN SMALLER COMMUNITIES WHERE MARKET TRANSACTIONS MAY BE LIMITED.***

The Commission has taken note of the concerns expressed about the substantial shift in assessments, and hence tax incidence, from improvements to land. Under the new manual, land represents an average of approximately 42% of total land and improvements for cities. Most of the increases in land's percentage share for individual cities ranged from 10% to 22%.Land's share of total land and improvements increased by 2% to an average of 19.5% for a sample of towns examined by the Commission, while land remained unchanged at 11.9% for the sample of villages.

The shift to land was brought about by two main factors:

- urban land values were based on a more recent set of base years than for the 1965 base year used for improvements, and
- improvements were assessed at 50% of value in the new manual compared with 60% under the old manual.

Part of the shift to land was a conscious move by the Assessment Authority to forestall what they thought would otherwise be a shift in tax burden from the commercial/industrial sector to the residential sector. Part of the shift was unintentional in that the amount and value of highway commercial land increased far beyond the expectations of the Assessment Authority.

Part of the shift to land simply restored the relationship between land and improvements which had existed at the beginning of the previous general reassessment. The amount of urban land remains relatively fixed and its value changes are not as apparent as changes in the value of improvements. Improvements are constantly being added to the assessment rolls in growing communities and, as a result, there is an automatic decrease in the percentage of the total assessment accounted for by land. When values are re-examined during a general reassessment, land normally moves back to a higher percentage of the total.

Whenever land values are increased substantially relative to improvements, it places a substantially increased tax burden on land intensive enterprises. It is the role of a governing authority using all of its consultative mechanisms to determine the appropriate share of the tax burden that should be borne by improvements and land, and whether these and other shifts are appropriate. The Commission believes that it is important that methods be available to those who establish assessment policy to control these shifts and to alleviate undue hardships that might otherwise develop.*

## 4. URBAN IMPROVEMENTS

Improvements are currently appraised on the basis of depreciated replacement cost. An alternative approach is to use current market values for the property as a whole and deduct the value of the lot in order to estimate the value of the improvements. As noted in Chapter II, some factors which determine the market value of property are deliberately ignored and, in some cases, values are imputed because of an inactive market in smaller centres.

The current practice of appraising improvements on the basis of depreciated replacement cost appears to be a practical and by and large, an acceptable approach. In short:

***VI-9 - THE COMMISSION HAS CONCLUDED THAT THE DEPRECIATED REPLACEMENT COST METHOD OF APPRAISING IMPROVEMENTS IS A SOUND PRACTICE.***

## 5. RESORT PROPERTY

Improvements in resort communities are appraised on the same depreciated replacement cost basis as in any urban, rural, or northern municipality.

It is logical that land in resort communities is appraised at higher values than in non-resort communities of the same size. The market for resort properties is clearly higher and more active than for comparably-sized non-resort communities.

The arguments that are made about education levies representing "double taxation" are based on the "benefit principle" of taxation.

The Commission will address this concept in a subsequent report.

***VI-10 - THE COMMISSION HAS CONCLUDED THAT THE PRINCIPLES AND PRACTICES OF ASSESSING LAND AND IMPROVEMENTS IN RESORT AREAS ARE CONSISTENT AND COMPATIBLE WITH THE PRINCIPLES AND PRACTICES USED IN NON-RESORT COMMUNITIES, AND THAT THERE IS NO SOUND BASIS FOR USING DIFFERENT PRINCIPLES FOR SUCH COMMUNITIES.***

---

* See Chapter V in which the Commission makes several observations and recommendations on reassessment processes, particularly recommendation V-2.3.

## 6. BUSINESS ASSESSMENT

The Commission has a number of concerns about business assessments:

- The rates of return for various types of businesses upon which the square footage rates for business taxes are determined in all communities except Regina and Saskatoon were developed in the early 1950s. No new research was undertaken into the relative rates when the 1976 round of reassessments began. Instead, the rates used in the previous reassessment were simply increased by 70%.
- Within a given community there is no variation in the square footage rates used in different locations in the community, even though business traffic and other factors may make some locations clearly more profitable than others.
- Some complain that because the City of Saskatoon has the authority to determine its own business tax method and because it has chosen to implement a lower level of business taxation, it has given its businesses a competitive advantage over businesses in other communities.
- The Commission believes that the Saskatoon system of business taxation based on rental value is more equitable than the square footage method because it gives recognition to the profitability of different business locations as reflected in the rental market. However, in this regard the Commission notes that:
  - It requires more effort and expense to maintain the rental value system.
  - It requires an active rental market on which to arrive at values. An active market does not exist in most communities outside the cities and larger towns and, therefore, it might not be practical to apply the rental value system in those communities.

  The Province of Ontario simply takes a percentage of the assessment of land and improvements to arrive at its business assessments. Many of the market factors that determine the assessment of commercial land also determine rental rates. As a result, Commission has speculated as to whether the Ontario approach would produce much the same result as the rental value system, with virtually no additional cost over and above what it takes to appraise the land and improvements. The Commission has approached officials of the City of Saskatoon for information which would assist the Commission in analyzing this possibility.
- The Commission questions the theoretical basis of the business tax. Businesses already bear property taxes through the assessment of land and improvements which they occupy. Some suggest that the business tax is a form of double taxation.

  Some justify the business tax on the basis of what they consider to be extra services such as street cleaning and snow removal. The question that could be asked, however, is whether such services are of benefit only to the business owner or if they are of equal benefit to the general public who wish to have access to the business establishments.

The Commission has not completed its analysis of the business tax, and will deal with it in a subsequent report. Among the options which the Commission will be evaluating are:

- the elimination of the business tax;
- restricting the business assessment to municipal taxation only (Saskatchewan is one of only three provinces in which business assessment is subject to education levies);
- implementation of the "percentage of land and improvements" approach used in Ontario;
- improving the occupied floor space method currently in use in areas other than Saskatoon;
- implementation of the rental value approach; and
- maintaining the present arrangements.

***VI-11 - THE COMMISSION QUESTIONS THE JUSTIFICATION OF THE BUSINESS TAX AND HAS CONCLUDED THAT A FURTHER REVIEW OF OPTIONS TO EITHER ELIMINATE OR REFORM BUSINESS ASSESSMENTS IS REQUIRED.***

## 7. EQUALIZATION

***VI-12 - THE COMMISSION RECOMMENDS THAT THE RESPONSIBILITY FOR MAKING DECISIONS ON EQUALIZATION BE VESTED WITH THE BOARD OF DIRECTORS OF THE SASKATCHEWAN ASSESSMENT MANAGEMENT AGENCY, AND THAT AS WITH OTHER IMPORTANT POLICY MATTERS, THE DECISIONS BE MADE AS A PRODUCT OF CONSULTATIONS WITH THE LOCAL GOVERNMENT ORGANIZATIONS AND THE PROVINCIAL GOVERNMENT.***

***THE COMMISSION FURTHER RECOMMENDS THAT ONCE DECISIONS ARE MADE ON THE METHODOLOGY TO BE APPLIED IN EQUALIZATION THAT THE PROCEDURES BE APPLIED CONSISTENTLY THROUGHOUT THE REASSESSMENT CYCLE.***

## 8. CONCLUSION

Implementation of the recommendations in this report will bring about major reform to the property assessment system in Saskatchewan. Such reform is important and it is urgently needed to restore confidence in the assessment system.

A major part of the reform relates to governance. The Commission has concluded that a clearly-defined management and policy-making structure is required and that local governments should have the controlling voice on the board of directors which would preside over the assessment function. The Commission has made a package of recommendations which will achieve those objectives.

The Commission has made recommendations on a number of valuation practices and the reassessment process which will improve the equity of the property tax.

There is a lack of confidence in the assessment system as it now functions. The Commission stresses the need for an early implementation of the recommendations of this report to restore that confidence.

# CHAPTER VII

## SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

**Saskatchewan Assessment Management Agency**

IV-1 - The Commission recommends that a new assessment Act be passed to establish an independent Saskatchewan Assessment Management Agency (S.A.M.A.) which would have the responsibility for conducting the appraisal and assessment of all properties in the Province.

**Board of Directors**

IV-2 - The Commission recommends that the Saskatchewan Assessment Management Agency be headed by a board of directors which would have the authority and responsibility for assessment policies and for the general functioning of the assessment system.

**Selection of Board of Directors**

IV-3 - The Commission recommends that urban municipalities, rural municipalities and the provincial government each have two representatives and that School Divisions have one representative on a seven member board of directors.

**Appointment of Board of Directors**

IV-4 - The Commission recommends that the board of directors be appointed by the Lieutenant Governor-in-Council. The non-provincial government representatives should be selected by the Saskatchewan Association of Rural Municipalities, the Saskatchewan Urban Municipalities Association and the Saskatchewan School Trustees Association respectively.

**Tenure of Members of Board of Directors**

IV-5 - The Commission recommends that members of the board of directors be appointed for three year renewable terms, but that the bodies choosing representatives on the board have the authority to change their representatives.

**Chairman of Board of Directors**

IV-6 - The Commission recommends that members of the board of directors choose and appoint one of their members to be the chairman.

**General Manager**

IV-7 - The Commission recommends that the board of directors of the Saskatchewan Assessment Management Agency appoint a general manager whose duties would be to engage and supervise staff, direct and manage the general assessment function, identify policy-oriented problems and issues requiring attention of the board of directors and assist with policy development as required by the board of directors.

**Staff**

IV-8 - The Commission recommends that the assessment staff in the four largest cities continue to be employed by their respective cities and that other provisions for the staffing of the new agency ensure as much continuity as possible with current arrangements.

**Staff Training**

IV-9 - The Commission recommends that a program of studies in appraisal be developed and offered through either the community colleges, Wascana and Kelsey Institutes of Applied Arts and Sciences, or the Extension Division of the University of Regina or Saskatchewan. This program of studies leading to a certificate or diploma in appraisal should be supplemented by in-house training provided by the proposed new Saskatchewan Assessment Management Agency.

**Respective Roles of the Agency and the Provincial Government**

IV-I0 - The Commission recommends that a new Saskatchewan Assessment Management Agency Act clearly spell out the respective roles of the provincial government and the board of directors of the Saskatchewan Assessment Management Agency.

**Reporting**

IV-II - The Commission recommends that a minister other than the minister in charge of Urban Affairs, Rural Development or Education be assigned as the minister through whom the Saskatchewan Assessment Management Agency reports to the Legislative Assembly.

The Commission further recommends that consideration be given to assigning the responsibility for the Agency to the Minister of Finance.

**Finance**

IV-12 - With regard to the financing of the assessment function, the Commission recommends:

IV-12.I - that the new assessment Act give the Saskatchewan Assessment Management Agency the authority to determine the level of budget it feels is necessary to properly discharge its responsibilities.

IV-12.2 - that the Commission be required, by statute, to consult with the provincial government, S.U.M.A., S.A.R.M. and S.S.T.A. before making a decision on its budget level.

IV-12.3 - that the Agency be financed by a grant from the provincial government and a common levy in equalized mills on each municipality and school division.

IV-I2.4 - that the provincial government continue to pay at least as much toward assessment as it now does and that the provincial grant not fall below 50% of the Agency's budget.

IV-I2.5 - that the board of directors of the Agency be given the authority to adjust the levy on those local governments where all or a part of the appraisals are conducted by municipal employees.

**Advisory Committees**

IV-13 - The Commission recommends that while it is important to have one board of directors with decision-making powers on all aspects of assessment, the governing legislation require the board of directors to establish advisory committees.

**Consultation**

IV-14 - The Commission recommends that the governing legislation include provisions requiring the board of directors to undertake consultations.

**Assessment Appeal Processes and Structures**

IV-15 - The Commission recommends that both a local and a provincial appeal process be retained for those who wish to appeal the assessment of their property or business, and that the right of appeal to the Court of Appeal on a matter of law also be retained.

**Local Appeal Process**

IV-16 - In regard to the assessment appeal process at the local level, the Commission recommends:

IV-16.I - that legislation for rural and northern municipalities be amended to permit councils to appoint persons other than municipal councillors to be members of the board of revision, and that councils be encouraged to appoint a school board member to the board of revision.

IV-16.2 - that legislation for rural municipalities be amended to substitute the term "board of revision" for "court of revision".

**Provincial Appeal Process**

IV-17 - The Commission recommends that the board of directors of the S.A.M.A. be given full responsibility for all aspects of the assessment function including the determination of procedures and processes used in provincial assessment appeals, the qualifications of members of the appeal board, and the appointment of the appeal board.

IV-I8 - The Commission recommends that governing legislation make it clear that the appeal body, whether it be the local board of revision or the provincial appeal board, has the authority to order a revision in the assessment of a property only if the authorized assessment manual has been applied improperly.

The Commission further recommends that in situations where the assessment has been properly carried out in accordance with the manual, but where the appeal body believes that this brings about an inequity, the legislation require the appeal body to direct its concern to the board of directors of S.A.M.A for consideration of possible adjustments to the manual and to the municipality for consideration of a possible abatement of taxes.

IV-19 - The Commission recommends that the provincial appeal board be financed in the same way as the S.A.M.A., and that it be part of the S.A.M.A. budget.

**Timing**

IV-20 - The Commission recommends that the first order of priority be given to the passing of the legislation required to establish the Saskatchewan Assessment Management Agency.

**Adequacy of Research**

V-1 - The Commission recommends that adequate research and policy analysis be done before any reassessments are undertaken so that the various shifts in the tax burden arising from different policy options are known and can be explicitly decided upon.

**Timeliness of Reassessments**

V-2 - In order to help ensure that these large and potentially disruptive shifts in tax burdens do not take place, the Commission recommends:

V-2.1 - that reassessments be done more frequently than in the past. A 5 to 7 year cycle of reassessments would be more reasonable than the current 10 year requirement.

V-2.2 - that provision be made to permit municipalities to decide, in consultation with school divisions, to phase in assessment values that have increased by large amounts due to a general reassessment.

V-2.3 - that between general reassessments there be periodic adjustments in relative assessed land values where substantial shifts in land use and values are taking place, due to the pattern of commercial and residential development.

V-2.4 - that "pick-ups" or assessment maintenance be done diligently between general reassessments.

**Thoroughness of Inspections**

V-3 - The Commission recommends that sufficient staff be employed so that reassessments can be done thoroughly and that wherever possible, this include a physical inspection of the interior and exterior of individual buildings and an on-site inspection of farmland.

V-4 - The Commission also recommends that for farmland the appraiser discuss the land with the farmer when possible to help ensure that all of the relevant characteristics of the land are properly identified.

**Next Round of General Reassessments**

V-5 - The Commission recommends that legislation be amended to permit the next round of general reassessments to commence at a time to be decided upon by the board of directors of the Saskatchewan Assessment Management Agency rather than retain the compulsory 1986 commencement.

**Assessment Information**

V-6 - The Commission recommends that when a reassessment is done, property owners be given information on the old and new appraised values, old and new assessed values, the percentage change from old to new values, the average percentage change in value for different categories of property in the municipality, the average overall change in assessed values for the municipality, and a description of the appeal mechanism and how the property owner can appeal his assessment.

**Resource Requirements**

V-7 - The Commission recommends that adequate financial and staff resources be allocated to the assessment function in order to promote sound policy-making and the completion of maintenance assessments and general reassessments within acceptable time periods.

**Agricultural Land**

VI-1 - The Commission has concluded that although some problems exist with regard to the assessment of rural agricultural land, the basic approach of differentiating among different parcels of land in accordance with the productive ability of that land is fundamentally sound.

VI-2 - The Commission recommends that research which is currently under way to determine what changes need to be made to the soil indices to make them more closely correlate to actual yields, should be completed and reviewed by the new Saskatchewan Assessment Management Agency and its advisory committees prior to decisions being made on adjustments to the assessment manuals for farmland.

VI-3 - The Commission recommends that the research which it has initiated on variations in input costs among various soils be completed and the results considered for inclusion in the new assessment manual for farmland prior to the completion of that new manual.

VI-4 - The Commission recommends that the research which it has initiated on the correlation between market values and assessed values be completed before decisions are made on the new assessment manual for agricultural land.

**Rural Improvements**

VI-5 - The Commission has concluded that a review of options in connection with the tax status of rural improvements should be undertaken, including the option of leaving current policies and practices unchanged.

**Urban Land**

VI-6 - The Commission has concluded that the practice of using a market analysis to determine the value of the best land in the various communities and then appraising each parcel of land within the community in relation to that best land, is fundamentally sound.

VI-7 - The Commission recommends that research being done by the Assessment Authority regarding the possibility of using a minimum value equal to the cost of infrastructure services provided by the municipality to determine land values in small urban municipalities, be completed and analyzed before initiating the next general reassessment.

VI-8 - The Commission recommends that a study be done on the possibility of using proximity to larger communities and the degree of growth or decline of the community as major factors determining land values in smaller communities where market transactions may be limited.

**Urban Improvements**

VI-9 - The Commission has concluded that the depreciated replacement cost method of appraising improvements is a sound practice.

**Resort Property**

VI-10 - The Commission has concluded that the principles and practices of assessing land and improvements in resort areas are consistent and compatible with the principles and practices used in non-resort communities, and that there is no sound basis for using different principles for such communities.

**Business Assessment**

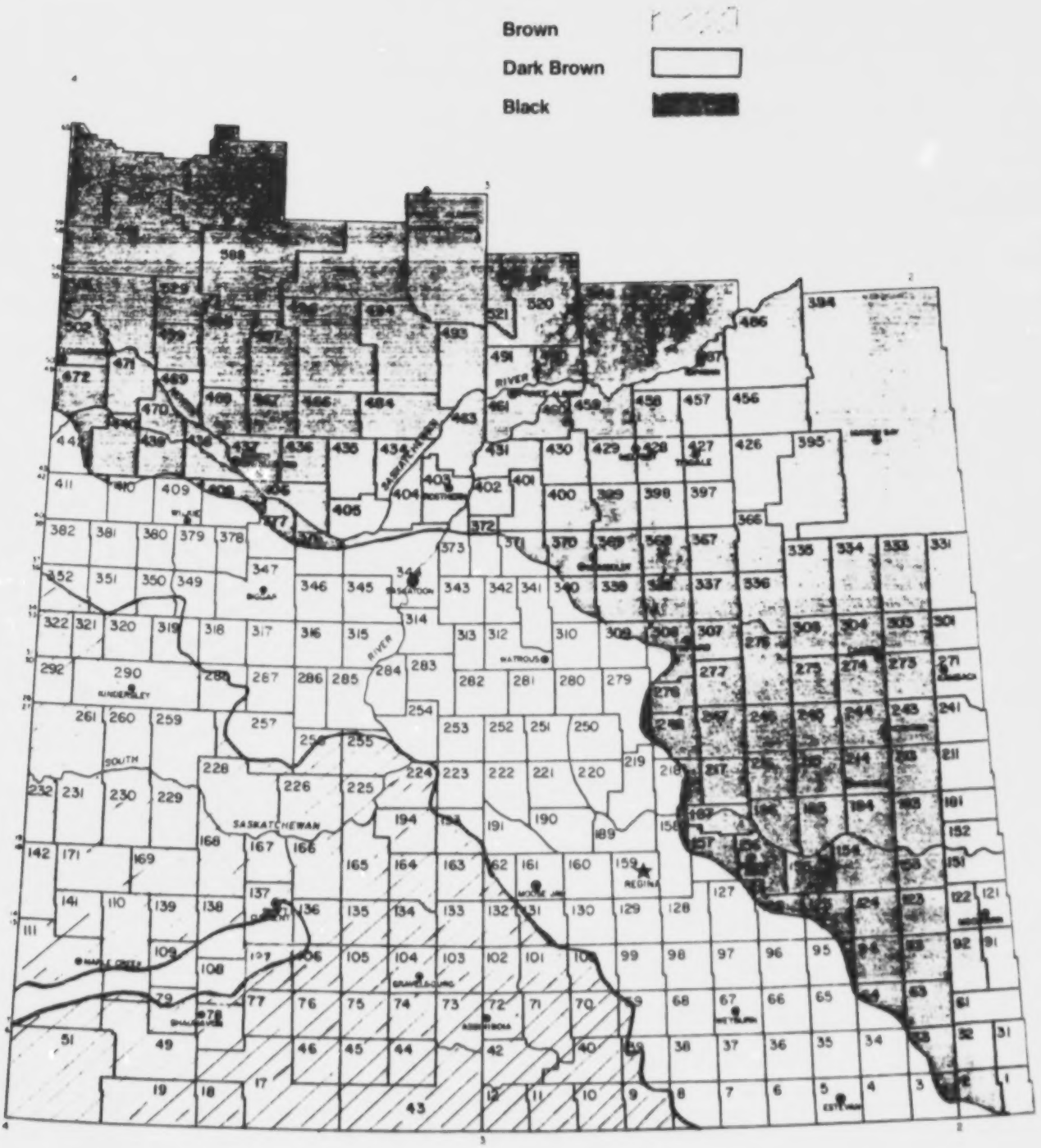
VI-11 - The Commission questions the justification of the business tax and has concluded that a further review of options to either eliminate or reform business assessments is required.

**Equalization**

VI-12 - The Commission recommends that the responsibility for making decisions on equalization be vested with the board of directors of the Saskatchewan Assessment Management Agency, and that as with other important policy matters, the decisions be made as a product of consultations with the local government organizations and the provincial government.

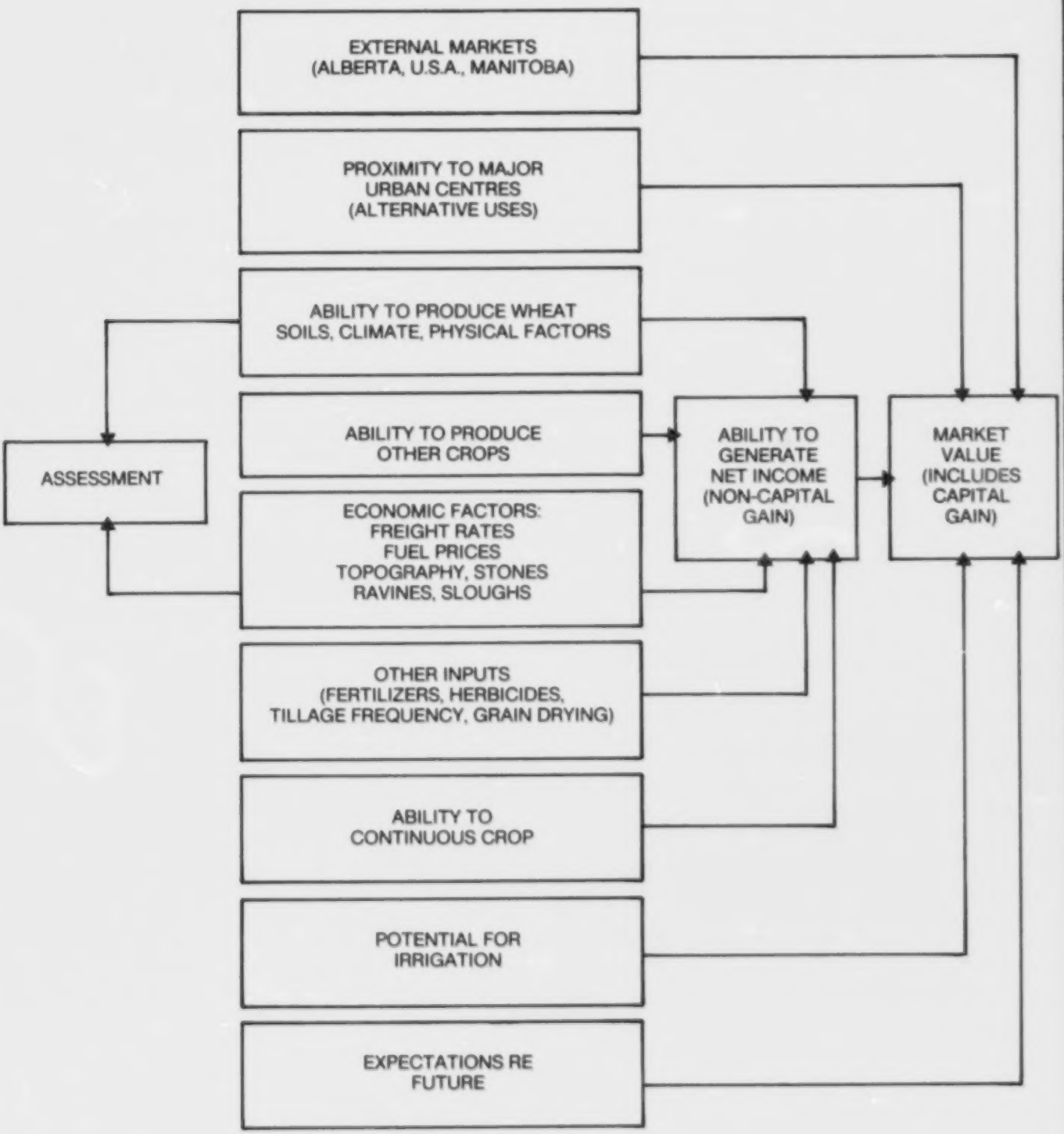
The Commission further recommends that, once decisions are made on the methodology to be applied in equalization, the procedures be applied consistently throughout the reassessment cycle.

# Soil Zones


Brown
Dark Brown
Black
SASKATCHEWAN
RIVER
SOUTH
REGINA
ESTEVAN

# RURAL LAND ASSESSMENT AND MARKET VALUES





# SCHEDULE OF URBAN LAND VALUES

Appendix 3

| Population Ranges | COMMERCIAL LAND Maximum Front Foot Rates | RESIDENTIAL LAND Maximum Front Foot Rates |
|---|---|---|
| 0 - 25 | $ 12.00 | $ 8.00 |
| 26 - 50 | 15.00 | 8.50 |
| 51 - 75 | 18.00 | 9.00 |
| 76 - 100 | 22.00 | 9.50 |
| 101 - 150 | 26.00 | 10.00 |
| 151 - 200 | 30.00 | 10.50 |
| 201 - 250 | 34.00 | 11.00 |
| 251 - 300 | 38.00 | 11.50 |
| 301 - 350 | 42.00 | 12.00 |
| 351 - 400 | 46.00 | 12.50 |
| 401 - 500 | 50.00 | 13.00 |
| 501 - 600 | 55.00 | 13.50 |
| 601 - 700 | 61.00 | 14.00 |
| 701 - 800 | 68.00 | 14.50 |
| 801 - 900 | 75.00 | 15.00 |
| 901 - 1000 | 82.00 | 15.50 |
| 1001 - 1200 | 90.00 | 16.00 |
| 1201 - 1400 | 98.00 | 16.50 |
| 1401 - 1600 | 106.00 | 17.00 |
| 1601 - 1800 | 115.00 | 17.50 |
| 1801 - 2000 | 124.00 | 18.00 |
| 2001 - 2200 | 134.00 | 19.00 |
| 2201 - 2400 | 142.00 | 20.00 |
| 2401 - 2600 | 151.00 | 21.00 |
| 2601 - 2800 | 160.00 | 22.00 |
| 2801 - 3000 | 169.00 | 23.00 |
| 3001 - 3500 | 184.00 | 24.50 |
| 3501 - 4000 | 200.00 | 26.00 |
| 4001 - 4500 | 220.00 | 27.50 |
| 4501 - 5000 | 240.00 | 29.00 |
| 5001 - 6000 | 270.00 | 31.00 |
| 6001 - 7000 | 300.00 | 33.00 |
| 7001 - 8000 | 330.00 | 35.00 |
| 8001 - 10000 | 360.00 | 38.00 |
| 10001 - 13000 | 500.00 | 44.00 |
| 13001 - 17000 | 700.00 | 50.00 |
| 17001 - 22000 | 900.00 | 57.00 |
| 22001 - 28000 | 1200.00 | 65.00 |
| 28001 - 35000 | 1500.00 | 75.00 |
| Over 100,000 | 4000.00 | 150.00 |

NOTE: 1) The above rates should be adjusted by the urban land index to obtain the maximum values for individual municipalities.

2) The above rates do not apply to resort villages which are assigned a flat rate of $40.00 per front foot.

Source: Urban Assessment Manual

Local Government Finance Commission, September, 1985

# URBAN LAND INDEX

The urban land index is used to adjust the maximum front foot values for commercial and residential land and business assessments for an individual municipality depending upon the viability of the municipality and the level of services provided. In effect, two municipalities, each with the same population, can be assigned different maximum land values and business assessments because of differences in the levels of services offered within the municipalities at the time they are reassessed. The more viable the centre or the more services provided the larger the percentage index value and, therefore, the greater the front foot land value.

For example, a municipality which is judged to be fairly viable based, in large part, to population trends, and which has one or more elementary schools, no hospital, a lawyer's office, a fair level of consumer outlets, no R.C.M.P. detachment stationed in the community, fair fire protection, a water and sewer system, and natural gas service would be assigned an index rating of 75%. By comparison, the same population-sized centre which doesn't have an elementary school, a lawyer's office, or natural gas service would be assigned a rating of 69%. Based on a population range of 301 to 350, the maximum residential front foot land value obtained from the urban land schedule would be reduced from $12.00 to $8.88 (0.74 x 12.00) for the community with relatively more services and from $12.00 to $8.28 (0.69 x $12.00) for the other community.

The percentage points assigned to the various components of the urban land index were chosen by the Assessment Authority so that the various combination of factors, as found in urban centres, would result in ratings which approximated the desired proportion of market value in the surveyed centres and which produced equitable results across all urban centres.

It should be noted that front foot land values in resort villages are determined under a separate index rating system.

## URBAN LAND INDEX FORM

Municipality of _____

| | | | | |
|---|---|---|---|---|
| 1. Minimum Starting Point | 50% | | | **50%** |
| 2. Unit Viability | maximum 20% | | | |
| Good | | +20% | _____ | |
| Fair | | +10% | _____ | |
| Poor | | + 0% | _____ | _____% |
| 3. Services | maximum 30% | | | |
| Schools | | | | |
| - University | | + 2% | _____ | |
| - Secondary | | + 2% | _____ | |
| - Elementary | | + 2% | _____ | _____% |
| Hospitals | | | | |
| - General | | + 4% | _____ | |
| - Convalescent Only | | + 2% | _____ | _____% |

continued ...

| | | |
|---|---|---|
| Professional Services | | |
| - Doctors | + 1% _____ | |
| - Dentists | + 1% _____ | |
| - Lawyers | + 1% _____ | |
| - Accountants | + 1% _____ | |
| - Others | + 1% _____ | _____% |
| Consumer Outlets | | |
| - Good | + 5% _____ | |
| - Fair | + 3% _____ | |
| - Poor | + 1% _____ | |
| - Nil | + 0% _____ | _____% |
| Police Protection | | |
| - Inside Unit | + 2% _____ | |
| - Outside Unit | + 1% _____ | |
| Fire Protection | | |
| - Good | + 2% _____ | |
| - Fair | + 1% _____ | |
| - Nil | + 0% _____ | _____% |
| Water | + 2% _____ | _____% |
| Sewer | + 2% _____ | _____% |
| Natural Gas | + 2% _____ | _____% |
| GRAND TOTAL | | _____ |

Source: Urban Assessment Manual
Local Government Finance Commission, September, 1985

# LAND INDEXING SYSTEM FOR RESORT PROPERTIES

| | | | |
|---|---|---|---|
| 1. Natural Facilities - 50% | | | |
| a) Scenic Appeal | | | |
| - Good | +10% | _____ | |
| - Fair | + 5% | _____ | |
| - Poor | + 0% | _____ | _____% |
| b) Beach Quality | | | |
| - Good | +15% | _____ | |
| - Fair | +10% | _____ | |
| - Poor | + 5% | _____ | |
| - None | + 0% | _____ | _____% |
| c) Boating | + 5% | _____ | _____% |
| d) Fishing | + 5% | _____ | _____% |
| e) Other Recreational Facilities | | | |
| - Good | +15% | _____ | |
| - Fair | +10% | _____ | |
| - Poor | + 5% | _____ | |
| - None | + 0% | _____ | _____% |
| 2. Population Influence - 30% | | | |
| a) Within 50 miles of a City | +30% | _____ | |
| b) Within 150 miles of a City | +20% | _____ | |
| c) Over 150 miles from a City | +10% | _____ | _____% |
| 3. Services Provided - 15% | | | |
| - Good | +15% | _____ | |
| - Fair | +10% | _____ | |
| - Poor | + 5% | _____ | |
| - None | + 0% | _____ | _____% |
| 4. Access to Beach - 5% _____ | | | |
| - Paved Road | + 5% | _____ | |
| - Gravel Grid | + 3% | _____ | |
| - Dirt Road | + 1% | _____ | _____% |
| GRAND TOTAL | | | ═══ |

Source: Urban Assessment Manual
Local Government Finance Commission, September, 1985

# RURAL IMPROVEMENTS STUDY

The Local Government Finance Commission plans to undertake a review of current policies and practices in regard to the assessment of improvements in rural municipalities.

During meetings held throughout the province in the fall of 1984, the Commission received briefs and heard concerns regarding the exemption from taxation of certain categories of improvements in rural municipalities. Although *The Rural Municipality Act* requires the assessment of improvements, due to their tax exempt status and the limited staff resources available to assess properties in practice tax exempt improvements have not been assessed.

In order to examine the various issues involved and to analyze the various options, it is necessary to have sound, factual information. As a result, the Commission has engaged an appraiser to determine the values for all improvements in a representative sample of seven townships throughout rural Saskatchewan. This information will enable the Commission to evaluate the implications of the current assessment and taxation policies and to determine the advantages and disadvantages of different, alternative policies.

The results of this study will be shared with the Saskatchewan Association of Rural Municipalities and the Department of Rural Development. Both of these organizations support the collection of this information and have contributed ideas to ensure that the information and analysis are accurate and complete.

The seven selected townships represent the different levels of productivity in the three major soil zones and different levels of concentration of rural residential, industrial and intensive agricultural development. Valuing these improvements is intended only for the purposes of the study and it will not affect the property taxes of individual property owners.

The information collected will be used to analyze the various policy options to ensure that the implications of any proposals can be identified before recommendations are made. In reviewing alternative approaches to assessing and taxing rural improvements, the Commission will also consider ways of making reductions in other rural assessments to ensure that fairness is achieved among rural property owners and that the overall rural share of property taxes for different services does not increase relative to the share carried by urban residents.

The Commission will discuss its analysis of the current arrangements and any options with the Saskatchewan Association of Rural Municipalities and the Department of Rural Development before any recommendations are advanced by the Commission to the provincial government. These organizations will also have the information necessary to present their own views to the provincial government in response to the proposals made by the Commission.

Local Government Finance Commission
September, 1985

# NUMBER OF MUNICIPALITIES REASSESSED BY YEAR

The following table shows the number of municipalities reassessed in each of the years since the current reassessment program began.

| Year* | Cities | Towns | Resort Villages | Villages & Sub-Total Urban | RMs | Total |
|---|---|---|---|---|---|---|
| 1975 | 1 | 1 | 0 | 2 | 0 | 2 |
| 1976 | 0 | 3 | 9 | 12 | 22 | 24 |
| 1977 | 1 | 8 | 26 | 35 | 24 | 59 |
| 1978 | 2 | 12 | 25 | 39 | 18 | 57 |
| 1979 | 0 | 14 | 27 | 41 | 22 | 63 |
| 1980 | 1 | 12 | 20 | 33 | 15 | 48 |
| 1981 | 1 | 14 | 49 | 64 | 18 | 82 |
| 1982 | 2 | 7 | 40 | 49 | 25 | 74 |
| 1983 | 4 | 8 | 22 | 34 | 38 | 72 |
| 1984 | 0 | 20 | 49 | 69 | 50 | 119 |
| 1985** | 0 | 42 | 87 | 129 | 67 | 196 |

* In the case of municipalities in which properties were individually factored back to the old manual's level of values, the municipality is shown as having been reassessed in the year in which the properties were inspected rather than the year in which the municipality was de-factored and the new values were placed on the assessment roll. In all other cases, municipalities are shown in the last year in which the work was done.

** Estimated remaining number of municipalities to be reassessed.

Local Government Finance Commission
September, 1985

## 1982 EQUALIZED ASSESSMENT[1]

| | Land | Improvements | Business | Other[2] | Total |
|---|---|---|---|---|---|
| | | | ($ millions) | | |
| Cities | 346.5 | 757.3 | 121.6 | 1.1 | 1,226.5 |
| Towns | 57.1 | 226.1 | 32.3 | 3.6 | 319.1 |
| Villages & Resort Villages | 14.9 | 95.9 | 9.4 | 1.9 | 122.1 |
| Sub-total (Urban) | 418.5 | 1,079.3 | 163.3 | 6.6 | 1,667.7 |
| R.M.s | 775.6[3] | 67.0 | 10.2 | 172.8 | 1,025.6 |
| TOTAL | 1,194.1 | 1,146.3 | 173.5 | 179.4 | 2,693.3 |

[1] This breakdown of equalized assessment was estimated by multiplying the taxable assessment of each component by the fraction computed by dividing total equalized assessment by total taxable assessment for each municipality.

[2] "Other" includes railways, pipelines, oil and gas wells, mines and gravel pits.

[3] For rural municipalities "land" includes grazing, lease, farmland, and land in hamlets.

Source: 1982 confirmed taxable and equalized assessments provided by the Saskatchewan Assessment Authority. Calculations provided courtesy of the Department of Finance.

Local Government Finance Commission
September, 1985